# BURNS CREEK PROJECT



## HEARING

BEFORE THE

## SUBCOMMITTEE ON IRRIGATION AND RECLAMATION

OF THE

## COMMITTEE ON INTERIOR AND INSULAR AFFAIRS UNITED STATES SENATE

EIGHTY-SEVENTH CONGRESS

FIRST SESSION

ON

## S. 66

A BILL TO AUTHORIZE THE SECRETARY OF THE INTERIOR TO CONSTRUCT, OPERATE, AND MAINTAIN A REREGULATING RESERVOIR AND OTHER WORKS AT THE BURNS CREEK SITE IN THE UPPER SNAKE RIVER VALLEY, IDAHO, AND FOR OTHER PURPOSES

MARCH 15, 1961

Printed for the use of the Committee on Interior and Insular Affairs





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# BURNS CREEK PROJECT

WEDNESDAY, MARCH 15, 1961

U.S. SENATE,
SUBCOMMITTEE ON IRRIGATION AND RECLAMATION,
COMMITTEE ON INTERIOR AND INSULAR AFFAIRS,
*Washington, D.C.*

The subcommittee met, pursuant to other business, in room 3110, Senate Office Building, Hon. Clinton P. Anderson (chairman of the committee and of the subcommittee) presiding.

Present: Senators Clinton P. Anderson (New Mexico), John A. Carroll (Colorado), Frank Church (Idaho), J. J. Hickey (Wyoming), Henry Dworshak (Idaho), Thomas H. Kuchel (California), and Hiram L. Fong (Hawaii).

Also present: Jerry T. Verkler, clerk, and Roy Whitacre, committee assistant for reclamation.

The CHAIRMAN. Now we should move on to S. 66, and I apologize to the people dealing with S. 66 for adding this other matter; but I deeply appreciate the contribution of the Senator from California.

We now come to Senate bill 66, the Burns Creek project. I will ask that copy of the bill and reports from the affected agencies be placed in the record at this point.

(S. 66 and reports follow:)

[S. 66, 87th Cong., 1st sess.]

A BILL To authorize the Secretary of the Interior to construct, operate, and maintain a reregulating reservoir and other works at the Burns Creek site in the upper Snake River Valley, Idaho, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That in order to assist in the irrigation of arid and semiarid lands in the upper Snake River Valley, Idaho, to provide facilities for river regulation and the control of floods, to utilize the hydroelectric power opportunities created thereby and, as incidents to the foregoing purposes, to enhance recreational opportunities and provide for the conservation and development of fish and wildlife, the Secretary of the Interior is authorized to construct, operate, and maintain a reregulating reservoir, powerplant, and related facilities at or near the Burns Creek site below Palisades Dam on the Snake River, the reservoir and powerplant to be substantially in accordance with the report of the Secretary of the Interior entitled "Burns Creek Dam, Powerplant, and Reservoir" dated February 26, 1957. In so doing the Secretary shall be governed by the Federal reclamation laws (Act of June 17, 1902, 32 Stat. 388, and Acts amendatory thereof and supplementary thereto). The works, including the reservoir, powerplant, and related facilities herein authorized shall be considered as features of the Palisades Dam and Reservoir project (Act of September 30, 1950, 64 Stat. 1083) and shall be integrated therewith financially and operationally. Installation of power generating facilities shall be scheduled by the Secretary on the basis of providing for the additional power requirements of those entitled to preference in the purchase thereof under the Federal reclamation laws.

SEC. 2. The irrigation storage capacity in Burns Creek Reservoir shall be reserved for subscription by organizations which have storage rights in Palisades Reservoir (the term "storage rights" being used in the same sense as in the storage contracts heretofore entered into by the Secretary of the Interior with respect to Palisades Reservoir) whether or not under the contract before the date of this Act. And the Secretary may contract with any such organization on the basis of operating plans which, in accordance with the contracts heretofore entered into between the United States and subscribers to Palisades capacity, treat the conservation capacity as having a priority equal to that of the irrigation capacity in Palisades Reservoir. Any Burns Creek irrigation storage capacity which is not so subscribed within six months from the time when funds are first made available for starting construction of the Burns Creek development shall then be made available for use in accordance with the Federal reclamation laws.

SEC. 3. (a) The Secretary is authorized in connection with the Burns Creek development, to construct minimum basic public recreational facilities and to arrange for the operation and maintenance of the same by an appropriate Federal, State, or local organization or agency: *Provided*, That all lands within the exterior boundaries of a national forest acquired for project purposes which are not determined by the Secretary of the Interior to be needed for actual use in connection with the project works shall become national forest lands: *Provided further*, That the Secretary of the Interior shall make his determination hereunder within five years after approval of this Act or, in the case of individual tracts of land, within five years after their acquisition by the United States: *And provided further*, That the authority contained in this subsection shall not be exercised by the Secretary of the Interior with respect to national forest lands without the concurrence of the Secretary of Agriculture.

(b) The Secretary may make such reasonable provision in connection with the Burns Creek development as, upon further study in accordance with section 2 of the Fish and Wildlife Coordination Act (48 Stat. 401, as amended; 16 U.S.C. 661, 662), he finds to be required for the conservation and development of fish and wildlife. An appropriate portion of the cost of the development shall be allocated as provided in said Act and it, together with the portion of the construction cost allocated to recreation and the operation and maintenance costs allocated to these functions, shall be nonreimbursable and nonreturnable under the reclamation laws.

(c) So far as the Secretary finds the same to be consistent with safety and with efficient operation for the primary purposes of the development. Burns Creek Reservoir and lands adjacent thereto which are now owned or hereafter acquired by the United States shall be open to free public use for lawful hunting and fishing purposes, and free access thereto for those purposes shall be assured.

(d) During times when releases for other purposes are less than one thousand cubic feet per second, a release of this amount from Burns Creek Reservoir shall nevertheless be maintained for the benefit of downstream fishlife, but this release may be reduced for brief temporary periods by the Secretary whenever he may find that maintenance thereof is harmful to the primary purposes of the project.

SEC. 4. (a) To assist in the construction of the works authorized by section 1 of this Act, the Secretary may, notwithstanding the last sentence of section 2 of the Act of September 30, 1950 (64 Stat. 1083), construct all necessary facilities to deliver power to the site of said works. The power-generating and transmission facilities authorized to be constructed by section 1 of this Act shall be subject to the second sentence of section 2 of said Act of September 30, 1950, and shall, to the greatest possible extent consistent with existing contractual obligations, be operated in conjunction with and connected to the facilities covered by such second sentence to the end of producing and marketing the greatest amount of power and energy. Nothing contained in this Act shall be construed to affect adversely the application in aid of irrigation, under sections 2(b), 3(a), and 5 of the Act of August 31, 1954 (68 Stat. 1026), of net power revenues received from the Palisades Reservoir and developments combined therewith for payout purposes under said Act of September 30, 1950.

(b) The Secretary is authorized to amend contracts heretofore made under the Acts of September 30, 1950, supra, and of August 31, 1954, supra, whereby the water users assumed an obligation for winter power replacement based on the winter water savings program at the Minidoka powerplant to relieve the contractors ratably by one-third of that obligation, and to make new contracts under these Acts on a like basis. To the extent such annual obligations are

reduced, the cost thereof shall be included in the cost to be absorbed by the power operations of the Palisades project.

(c) The actual construction of the facilities herein authorized shall not be undertaken until at least 80 per centum of the conservation capacity in Burns Creeks Reservoir is under subscription, nor until negotiations have been undertaken in accordance with the provisions of (b) of this section.

SEC. 5. Expenditures for the works authorized by section 1 of this Act may be made without regard to the soil survey and land classification proviso of the Interior Department Appropriation Act, 1954 (67 Stat. 261, 266, 43 U.S.C. 390a).

SEC. 6. For a period of ten years from the date of enactment of this Act, no water shall be delivered to any water user for the production on newly irrigated lands of any basic agricultural commodity, as defined in the Agricultural Act of 1949, or any amendment thereof, if the total supply of such commodity for the marketing year in which the bulk of the crop would be normally marketed is in excess of the normal supply as defined in section 301(b)(10) of the Agricultural Adjustment Act of 1938, as amended, unless the Secretary of Agriculture calls for an increase in production of such commodity in the interest of national security.

SEC. 7. There are hereby authorized to be appropriated such sums as may be necessary to carry out the purposes of this Act.

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EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
*Washington, D.C., March 14, 1961.*

Hon. CLINTON P. ANDERSON,
*Chairman, Committee on Interior and Insular Affairs,*
*U.S. Senate, Washington, D.C.*

MY DEAR MR. CHAIRMAN: This is in reply to your letter of January 17, 1961, requesting the view of the Bureau of the Budget on S. 66, a bill "To authorize the Secretary of the Interior to construct, operate, and maintain a reregulating reservoir and other works at the Burns Creek site in the upper Snake River Valley, Idaho, and for other purposes."

The purpose of this bill is to authorize construction of the Burns Creek Dam, Reservoir, and powerplant with an installed capacity of 90,000 kilowatts to provide reregulation of water releases from Palisades Reservoir, generation of hydroelectric power, and irrigation holdover storage of 100,000 acre-feet. The estimated total cost of the Burns Creek development, based on January 1959 prices, is $45,430,000, exclusive of fish and wildlife and recreation facilities.

The Bureau of the Budget would have no objection to the enactment of this legislation.

Sincerely yours,

PHILLIP S. HUGHES,
*Assistant Director for Legislative Reference.*

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DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
*Washington, D.C., March 10, 1961.*

Hon. CLINTON P. ANDERSON,
*Chairman, Committee on Interior and Insular Affairs,*
*U.S. Senate, Washington, D.C.*

DEAR SENATOR ANDERSON: A report from this Department has been requested on S. 66, a bill "To authorize the Secretary of the Interior to construct, operate, and maintain a reregulating reservoir and other works at the Burns Creek site in the upper Snake River Valley, Idaho, and for other purposes."

We recommend that this bill be enacted.

The Burns Creek Dam, Reservoir, and powerplant would be located on the Snake River in Bonneville County, Idaho, about 30 miles downstream from Palisades Dam. It would be integrated electrically, hydraulically, and financially with the existing Palisades reclamation project. Our planning report on this development, together with copies of the comments we have received from State and Federal agencies, has been transmitted to the President of the Senate and referred to your committee.

The prime purpose of the Burns Creek development is reregulation of releases from Palisades. In addition, 100,000 acre-feet of its 234,000 acre-feet of reservoir capacity will be available for long-term holdover irrigation storage purposes and a 90,000 kilowatt powerplant is proposed. The reregulation of Palisades releases will result in more efficient use of Palisades than is possible otherwise. Without downstream regulation, for instance, the operation of Palisades powerplant would be limited by restrictions on streamflow fluctuations below the dam.

The 100,000 acre-feet of irrigation storage will be utilized principally as long-term holdover storage. It will, in effect, provide insurance water to be used during such periods of extreme drought as occurred during the early 1930's. It is expected that it will be contracted for, and used on the same lands (650,000 irrigated acres along the Snake River extending in a strip upstream from Bliss, Idaho) as the Palisades irrigation water. In view of this, it seems to us that the requirement of the Interior Department Appropriation Act, 1954 (67 Stat. 261, 266, 43 U.S.C., sec. 390a) respecting land classification and soil survey could well be waived as section 5 of the bill would provide.

This bill provides a 6-month preference to holders of storage rights in Palisades Reservoir for subscription to Burns Creek space. It also provides that "the Secretary may contract with any such organization on the basis of operating plans which, in accordance with contracts heretofore entered into between the United States and subscribers to Palisades capacity, treat the conservation capacity as having a priority equal to that of the irrigation capacity in Palisades Reservoir." Typical of the contract provisions to which this passage refers is that in article 29(c) of the contract of January 7, 1955, with the Milner Low Lift Irrigation District:

"If the United States, under the Federal reclamation laws, hereafter constructs storage facilities on the Snake River or its tributaries above Milner Dam in addition to those now constructed or authorized to be constructed to provide water for irrigation purposes, the district hereby agrees that, notwithstanding the establishment of a storage right for such additional facilities with a priority subsequent to that assigned the Palisades Dam and Reservoir, the United States may hereafter contract with water users organizations which then have storage rights in Palisades Reservoir, to operate not to exceed 300,000 acre-feet of such capacity for the storage of water for irrigation for the benefit of such organizations as though that capacity had a storage right of identical priority with that held for Palisades Dam and Reservoir."

On the basis of present cost estimates, it is likely that construction charges for the use of Palisades space will be $7.75 per acre-foot. It is tentatively proposed that Burns Creek space be charged for at the same rate. On this basis, the total repayment by the water users for the use of 100,000 acre-feet of Burns Creek storage would be $775,000, repayable over a 40-year period. The remainder of the irrigation allocation can readily be returned from net power revenues.

The total estimated cost of constructing the Burns Creek development, exclusive of fish and wildlife, is about $45,430,000 on the basis of January 1959 prices. It is estimated that, combined with Palisades as the bill provides, costs allocated to commercial power could be repaid with interest well within a 50-year period. Irrigation costs assigned to the combination could be repaid in about 40 years after full operation of the Burns Creek powerplant begins.

A recent economic analysis of the Burns Creek development indicates that its primary benefits alone exceed total costs in the ratios of 1.65 to 1.0 and 1.33 to 1.0, based on periods of analysis of 100 and 50 years, respectively.

The bill would include as a project purpose the preservation and propagation of fish and wildlife, call for making reasonable provision in the Burns Creek development to achieve this purpose, provide for free public access to and use of the reservoir area for lawful hunting and fishing purposes, and provide for a minimum flow of water from the reservoir to benefit the fishlife downstream. These provisions conform to recommendations of the Fish and Wildlife Service which were adopted as an integral part of our project planning report.

Two provisions of the bill are reserving of special comment. Subsection (b) of section 4 would authorize the Secretary of the Interior to reduce by one-third certain contract obligations undertaken by the irrigation interests which serve to compensate the beneficiaries of the Minidoka powerplant for losses of power resulting from storage in Palisades Reservoir, and to charge the total amount of the reductions to Palisades power revenues. We estimate that this

charge to project power operations would be about $5,000 annually. It is our understanding that this provision is desired by local water user groups. We make no objection to its inclusion in the authorizing legislation if the Congress should be inclined to adopt it, since it would have no appreciable effect on the feasibility or payout of the project.

Subsection (c) of section 4 would provide that construction of Burns Creek could not be commenced until 80 percent of its conservation capacity has been subscribed (applications are already on hand for more than 100 percent) and until negotiations have been undertaken in accordance with section 4(b). We understand that this provision, too, is desired by local water user groups. While it is ordinarily not desirable to construct facilities the success of which depends upon water user repayments until repayment contracts have been entered into, it is the return from power that will carry the great bulk of the cost of Burns Creek. The 100,000 acre-feet of long-term holdover irrigation water would be used only a few times during project payout. The relatively minor part of irrigation in this project will have little bearing upon the success of the project. However, we anticipate that there will be no difficulty in meeting the requirements of section 4(c) and we offer no objection to it.

A statement of personnel and other requirements that enactment of this bill would entail is attached in accordance with the provisions of Public Law 801, 84th Congress.

The Bureau of the Budget has advised that there is no objection to the presentation of this report from the standpoint of the administration's program.

Sincerely yours,

STEWART L. UDALL,
*Secretary of the Interior.*

*Estimated additional man-years of civilian employment and expenditures for the 1st 5 years, Burns Creek Dam, Reservoir, and powerplant, Palisades project, Idaho*

| | 1st year | 2d year | 3d year | 4th year | 5th year |
|---|---|---|---|---|---|
| EXECUTIVE DIRECTION | | | | | |
| Administrative services and support: | | | | | |
| Administrative officer | | | | | |
| Accountant | | | | | |
| Budget | | 1 | | | |
| Clerical | 1 | 2 | | | |
| Personnel | | 1 | | | |
| Supply, custodial, and wage board | 5 | 2 | 4 | 2 | |
| Office services | 2 | 1 | | | |
| Total, administrative services and support | 8 | 7 | 4 | 2 | |
| Substantive (program): | | | | | |
| Engineering aids and technicians | 24 | 7 | | | |
| Engineers | 8 | 5 | | 2 | |
| Inspectors | 1 | 7 | | 4 | |
| Head, field office and secretary | 1 | | | | |
| Rights-of-way | 3 | | | | |
| Total, substantive | 37 | 19 | | 6 | |
| Total, estimated additional man-years of civilian employment | 33.7 | 19 | 4 | 7 | |
| Estimated additional expenditures | $176,891 | $91,765 | $20,800 | $44,690 | |
| Total, estimated man-years of civilian employment | 49 | 97 | 108 | 121 | 121 |
| Total estimated expenditures: | | | | | |
| Personal services | $300,000 | $627,305 | $692,305 | $799,357 | $815,344 |
| All other | 187,500 | 2,372,695 | 8,507,695 | 12,300,643 | 10,534,656 |
| Total, estimated expenditures | 487,500 | 3,000,000 | 9,200,000 | 13,100,000 | 11,350,000 |

The CHAIRMAN. I now recognize Senator Church.

Senator Church, do you have any statement to make?

Senator CARROLL. Mr. Chairman, before you call on Senator Church, I have a meeting before the Senate Judiciary Committee. I have voted on this matter on at least two occasions, I think. I am

in favor of it. I am familiar with the project and familiar with the testimony previously given, and I would like to be excused, because we are having a little bit of a fight in the Senate Judiciary Committee, and I think I ought to be there.

The CHAIRMAN. Thank you, Senator Carroll.

Senator Church, do you have a statement you desire to make?

Senator CHURCH. Mr. Chairman, in view of the time limitations that we face, and the large number of witnesses that we have from Idaho and from the West to testify on this project, and in view of the further fact that my position concerning it is already well known, I would forgo my statement, in the interests of saving the committee's time.

The CHAIRMAN. May I say, also, that I am needed in the Finance Committee for action upon this unemployment compensation bill. I, too, am going to have to leave, and I hope the people who are concerned with Senate bill 66 will recognize that this is not an act of discourtesy, but there are things we have to do. I am going to ask Senator Church to preside when that time comes.

We will now call on our colleague, Senator Bennett.

## STATEMENT OF HON. WALLACE F. BENNETT, A U.S. SENATOR FROM THE STATE OF UTAH

Senator BENNETT. Mr. Chairman and members of the committee, I greatly appreciate the opportunity to appear before you today. First of all, I wish to give my full support to the Navajo and San Juan-Chama reclamation projects which the committee is considering this morning. Both Gov. George D. Clyde, who is Utah's commissioner on the Upper Colorado River Commission, and the Utah Water and Power Board have advised me that they too give their support to these two meritorius projects. I was happy to vote for priority in planning of the Navajo and San Juan projects when the Senate approved the upper Colorado River storage project in 1955.

As the senior Senator from Utah, a State which pioneered in the development of irrigation and water development, I have consistently supported sound, worthwhile reclamation projects when they have come before the Senate for approval. It is, therefore, an unusual occasion for me today to have to appear before you and express my strong opposition to authorization of the Burns Creek project which is also being considered by this committee today.

### BURNS CREEK—A BLOW TO THE UTAH-WYOMING COAL INDUSTRY

There are four basic reasons why I cannot support the bill and why the Senate Interior Committee should reject it. First of all, it would deal a severe blow to the coal miners and to the entire coal mining industry of Utah and Wyoming. Under the Burns Creek bill, a 90,000-kilowatt hydroelectric plant will be built which will generate an estimated 500 million kilowatt-hours each year. If these 500 million kilowatt-hours were supplied by a steam electric plant using coal, 250,000 tons would be consumed each year. It would require 20,000 man-shifts of coal-miner labor to mine that amount of coal and it would add approximately $500,000 to the annual wages of our Utah and Wyoming coal miners.

For the past several weeks, the Senate Banking and Currency Committee, on which I serve, has been considering a bill which would supposedly give Federal assistance to the "distressed areas" in our economy. The Utah coal mining area in Carbon and Emery Counties is not only "distressed," it is depressed. Thus, it is incongruous in the extreme that this very day the Senate should debate a bill to aid economically "distressed areas" while one of its committees is holding hearings on another bill which will create "distressed areas" in Utah and Wyoming.

The Carbon and Emery County areas are not only distressed but their citizens are distressed that the Senate would consider a bill which would strike a blow at their principal means of livelihood, the coal mining industry. The County Commissions of both counties have expressed their strong objections to the Burns Creek bill. So, too, has District 22 of the United Mine Workers of America and the Utah-Wyoming Coal Councils of Price and Helper and by the Price, Utah, Chamber of Commerce.

Proponents of the bill argue that the project is needed to supply power to the so-called preference customers. These preferred customers have neither a legal nor a divine right to an unlimited supply of federally produced power. Moreover, they are much better off financially than the coal miners of Utah. To completely destroy this argument, the preference customers have abundant alternative power sources readily available while the mining of coal is virtually the only skill our Utah miners know. Our coal miners are justifiably disturbed at the prospect of having taxes deducted from their often infrequent paychecks to help pay for the Burns Creek powerplant which will directly compete with them.

### BURNS CREEK—A PUBLIC POWER NOT A RECLAMATION PROJECT

In discussing public power for preference customers, I have hinted at a second basic reason why the Burns Creek bill should be rejected. That is, it is not a reclamation project, it is an unalloyed public power project, the irrigation benefits of which are all but nonexistent. This is clearly manifest by the fact that only 1.7 percent of the approximately $50 million total estimated cost is allocated to irrigation. Over 98 percent is allocated to power. Not one new acre of land would be brought under cultivation. At the most, only 100,000 acre-feet of supplemental water would be provided which the Bureau of Reclamation states would only be used two or three times over a 50-year period.

While the proposed Burns Creek Reservoir would impound 234,000 acre-feet of water, almost 60 percent of that amount would be wasted as far as irrigators are concerned since it would be devoted solely to furnish a power head.

It is obvious that this $50 million nationalized power project is being brought before the Congress under the more respected and venerated designation of a reclamation project. This can only harm true reclamation projects in the future. Once we make public power, and not irrigation, the paramount purpose of reclamation projects, just that soon will we in the 17 Reclamation States lose the support in Congress of our sister States to the East and South. We shall bring the reclamation program down in disrepute and make it just another pawn in the interminable public versus private power dispute.

BURNS CREEK PROJECT—NOT NEEDED

My third reason for opposing the Burns Creek public power project is that it is not needed. Certainly it is not needed for reclamation purposes as I have already indicated. In fact, reclamation will actually be harmed. By saddling the true reclamation project, Palisades, with an uneconomic downstream public power parasite, Burns Creek, repayment of Palisades power costs will be delayed 32 years and repayment of its irrigation costs will be delayed 26 years. During the delay caused by diversion of funds to Burns Creek, Palisades would have contributed a surplus of over $30 million which could be used to aid worthy reclamation projects. Instead, it will all be eaten up for public power, not for irrigation.

As for storage, in this very dry year it is apparent that there will be over 900,000 acre feet of unfilled reservoir capacity on the Upper Snake River when this spring's water harvest is over, unless a deluge occurs. Thus, there is more storage capacity upstream from the Burns Creek site than there is water to fill it in a dry year, which is the only time the water would be needed. What good would the storage capacity do for irrigators if there is no water?

The only remaining justification is river reregulation. However, if this should ever be needed, a completely adequate river reregulation reservoir could be built for about $4.5 million instead of $50 million.

The proposed reservoir is not needed for production of electric power—unless the Federal Government is bound and determined to launch forth on an unlimited public power program where the sky is the limit and the taxpayers, the coal miners, and the public utility investors are left holding the proverbial bag. Adequate electric service is now being provided by private and municipal power companies and REA's. The Federal Power Commission in its April 1960 report shows that there is sufficient installed capability available to carry the total 1960 peak load anticipated in the Utah-Idaho area, with a surplus in excess of 376,000 kilowatts. The same report shows that in 1963 the surplus will be over 350,000 kilowatts, and this figure does not include Burns Creek. Moreover, the public utilities will install almost a million kilowatts in the next 6 years to assure ample power. This will more than adequately meet all of the power needs of the area including those of the preference customers.

This power project can only be justified on the basis of the Federal Government assuming the unwarranted obligation of providing preference customers with power to meet their growing loads. I submit that this is not a valid reason to run the risk of discrediting the entire reclamation progrram and to obligate $50 million. Are we now to accept the doctrine that once customers are attached to Federal Government generating stations, they must thereafter be taken care of only in that way, and that private power resources can never again serve them? Such a doctrine should be summarily rejected.

BURNS CREEK—UNECONOMICAL

The fourth and last reason for my opposition to this project is that it is uneconomical. It cannot pay its own way. Burns Creek power would cost over $500 per kilowatt compared to Palisades' $185 per kilowatt. The Bureau of Reclamation admits it proposes to sell

Burns Creek power below cost, in fact so far below cost that the Bureau's estimated power revenues resulting from Burns Creek would not even pay the interest charges on the project. Therefore, it saddles the sound Palisades project with a $30 million additional cost and delays its payout more than 25 years.

As if this $30 million loss were not enough, the Bureau has estimated that if Burns Creek is built, taxes foregone because the Federal construction of the power facilities would amount to $472,000 per year. That constituted a loss for the taxpayers of $24 million during the Burns Creek payout period. This adds up to a total loss of $54 million. Meanwhile, our coal miners are denied work.

For these reasons, Mr. Chairman, I hope the committee will refuse to approve the Burns Creek bill.

The CHAIRMAN. Thank you, Senator Bennett.

I will ask the Honorable Kenneth Holum, Assistant Secretary of the Interior, to appear now to testify. He is accompanied by Mr. Bennett, assistant commissioner, and H. T. Nelson, regional director, region 1, Boise, Idaho.

All right, Mr. Secretary.

## STATEMENT OF HON. KENNETH HOLUM, ASSISTANT SECRETARY OF THE INTERIOR, WATER AND POWER; ACCOMPANIED BY N. B. BENNETT, JR., ASSISTANT COMMISSIONER, BUREAU OF RECLAMATION; AND H. T. NELSON, REGIONAL DIRECTOR, REGION 1, BOISE, IDAHO

Mr. HOLUM. Thank you, Mr. Chairman, and gentlemen of the committee.

We have enjoyed being here during the fine hearing on San Juan-Chama-Navajo. Prior to the taking of testimony on that project, Secretary Udall expressed the position of the Department of Interior and referred briefly to the Department's position with respect to Senate 66.

I am here this morning to amplify upon that brief presentation.

The report of the Department of the Interior on the bill now under consideration has been received by the committee. We are happy to recommend enactment of the measure to authorize the construction of Burns Creek Dam, Reservoir and powerplant.

This project would be in keeping with the major objectives of the administration and the Interior Department in the development of a valuable natural resource for multiple purposes. One of the early acts of this administration was to review the Burns Creek proposal, which we found to be completely justifiable and financially feasible. It would conserve water for irrigation use in an area where every drop of water is needed. It provides an opportunity to obtain maximum power flexibility from the existing Palisades project and at the same time further develop the resource by generating additional power and energy at the Burns Creek site.

Combining Burns Creek with the Palisades project to form a coordinated unit operationally and financially is sound policy. It is completely consistent with the precedents established and continually prosecuted on the Missouri River Basin project and Central Valley

project with regard to integration of power projects into a coordinated system with a single financial structure.

Our report of March 10 briefly outlines the project plan, highlights unusual provisions of the proposed legislation, and includes current economic and financial data.

The Burns Creek development will serve two major purposes: First, it will provide 100,000 acre-feet of long-term holdover storage space for water for irrigation to supplement the supply to the extensive irrigated area in the upper Snake River Basin and, second, it will operate as a valuable power source in its own right as well as a regulation basin for Palisades Dam releases, thereby enhancing the operating flexibility of Palisades powerplant and the firm power production of the Federal system.

Since the hearings last year, the project plan and analyses have been carefully reviewed. We find no reason to change the physical plan, and the construction cost estimate of $45,430,000 is still valid. For repayment purposes, we have used an interest rate of 2.632 percent for the Burns Creek study, which is the rate resulting from application of the formula prescribed in recent public laws such as Public Law 85–500 and Public Law 86–529 referring to municipal water supply and to the Norman and Colorado River storage projects. The Bureau has applied its most recent findings with regard to operation, maintenance, and replacements to the Burns Creek project. We find that the Burns Creek-Palisades project is feasible under the conditions of the pending bill and that all reimbursable costs for power and irrigation can be paid out within 40 years of the date when Burns Creek powerplant begins operation.

The trend of load growth of the preference customers now being served by Bureau of Reclamation power indicates that there will be no difficulty in disposing of the entire output of the coordinated system and that the entire 90,000 kilowatts at Burns Creek should be installed as soon as the load growth requires.

Witnesses from the Bureau are here with a more detailed statement which may be read, submitted for the record or highlighted, as the committee desires. We are prepared to discuss any aspect of the project in further detail.

Senator CHURCH (presiding). Thank you very much, Mr. Secretary.

With respect to the more detailed statement that you have prepared, it seems to me that it would be a good procedure to merely submit that statement for the record, if there is no objection on the part of the members of the committee, and then we will look to you and your representatives here this morning for answers to such questions as the committee wants to ask.

You are aware, of course, that this is the third time that the Senate Interior Committee has considered this particular project. We have had exhaustive hearings in two previous Congresses. Each time the committee has acted favorably, and each time the Senate has approved the project.

So these matters are not new to the committee.

I have a few questions I would like to put to your panel, Mr. Secretary.

I noticed in your statement that there appears to be a new method of calculating replacements, and there seems to be some change in the cost and benefit ratio. And I think that we ought to have a further explanation of why the cost-benefit ratio has been changed this year, and what the basis for that change is.

Mr. HOLUM. I think it might be better, Mr. Church, if Mr. Bennett, the Assistant Commissioner, were to explain that.

Mr. BENNETT. Mr. Chairman, on the benefit-cost ratios, as the Assistant Secretary pointed out, the construction cost part of the ratio has not changed. That remains the same. We did, however, this year completely review the economics of this project. We put the benefit computations on what we term a current price level. They previously had been computed on a price level of 215. We have been using in the Bureau for the past 2 years, a price level of 250–265. We simply put the benefits on that price basis.

This results in higher irrigation benefits. It does give us a somewhat changed cost allocation over that which you had before you last time. And with the larger irrigation benefits, you do get a larger benefit-cost ratio.

The allocations are contained in detail in my statement. For your information, they are now: Irrigation, $1,329,000; power, $44,052,000; and recreation, $49,000.

You mentioned the item of replacement costs. I think this should be commented upon.

We in the Bureau have felt for some time from reviewing our various financial records, that we were not handling replacement items appropriately in our accounts.

Our lists of units of property and the lifes assigned to these units had been based on information used by other agencies, such as the Treasury Department, and they had originally been developed for use in tax purposes. This did not seem to fit our method of operating.

So the Commissioner appointed, about 2 years ago, a committee to examine the facts on all of our projects. That committee concentrated on assembling a list of replaceable items and assigning lives to those items on the basis of experience.

We made physical checks not only of our own records and plants, but also those of the Tennessee Valley Authority and other agencies.

One of the most important findings which we came up with was that we had previously been considering complex items of equipment, such as generators and turbines, as being completely replaced at one time.

Experience showed us, however, that rather than doing that, we had actually been following the practice of replacing worn and deteriorated parts on a unit basis, as an item of maintenance rather than an item of replacement.

So, taking all of these matters into account, we have now assigned to each type of replaceable item an expected life of that item.

We found, after we combined all of these things, that our replacement reserves that we had been maintaining were somewhere around 60 to 75 percent too high. So we are now placing all of our projects and all of our future studies on the basis of what this committee determined.

This has made a fairly substantial difference in this particular case.

There are two items, the use of the new replacement item and the use of approximately 2.6 percent interest, which have combined, here, to result in the repayment figures Mr. Holum indicated to you.

We find that based upon these conditions, and using the existing power rates from the Palisades system, the costs allocated to power for Palisades and Burns Creek would be repaid with interest, in the 40th year of the Palisades study, or the 30th year of the Burns Creek study.

We also find that all irrigation costs assigned to be repaid from power revenues of these structures would be repaid by the 50th year of the Palisades study, or the 40th year of Burns Creek.

Now, this is a more conservative type of a study than we usually do. We have here assumed that the time of repayment of the irrigation assistance to be repaid by power revenues would start to run at the time water is available. This does not take into account a development period on the irrigation projects. Ordinarily, a 50-year repayment period starts at the end of up to a 10-year development period. We have not included that factor in our studies.

Senator CHURCH. I take it, then, that the changed formula for replacement costs that you are using this year is based upon the actual experinece of the Department, brought up to date, and therefore is to be regarded as a more accurate figure than the previous figure you used.

Mr. BENNETT. That is correct, Mr. Chairman.

Senator CHURCH. Can you tell the committee what the cost-benefit ratio is for the bill that is now under consideration, based upon the new estimates of the Department, and how that compares to the previous cost-benefit ratio?

Mr. BENNETT. Yes, sir. The current ratio of benefits to costs is 1.33 to 1 on a 50-year period of analysis, and 1.65 to 1 for a 100-year period of analysis, which is our customary way of making these analyses.

Previously, when we were up here before this committee, we had a 50-year benefit-cost ratio of 1.19 to 1 and a 100-year ratio of 1.40 to 1.

Senator CHURCH. Mr. Bennett, I have had mailed into my office several copies of a pamphlet that has been distributed widely by the Utah Power & Light Co., entitled "Burns Creek—$50 Million White Elephant," in which a number of charges are made that I think require an answer by the Bureau. And I am hopeful that you can supply us with some answers to these charges.

Are you familiar with this pamphlet?

Mr. BENNETT. Yes, sir. I have received a copy.

Senator CHURCH. One of the charges made in the pamphlet, as I recall, is that the Burns Creek project cannot be regarded as a legitimate irrigation project because of the relatively small cost allocation to irrigation.

Now, is cost allocation always a valid measure of the contribution of a multiple-purpose project of this kind to irrigation?

Mr. BENNETT. I do not believe it can always be so considered, Mr. Chairman. I think that my answer is well illustrated by the example of Hoover Dam on the Boulder Canyon reclamation project. Most of you, I am sure, are familiar with Hoover Dam and the benefits that it furnishes to irrigation.

The reservoir behind Hoover Dam, originally about 32 million acre-feet in capacity, furnishes annually between 8 million and 9 million acre-feet of water for irrigation. Not one cent of the cost of that structure, about $175 million, has been allocated to irrigation. It is entirely allocated to power, being paid for by power revenues.

There is a small part of it, $25 million, that is held in abeyance as a flood-control allocation, but that, too, is to be paid by power revenues under present law.

Senator CHURCH. Was not the Hoover project also labeled "a white elephant" at one time?

Mr. BENNETT. Yes, sir, it was called many things at the time it was being considered for authorization.

Senator CHURCH. This bill provides for 100,000 acre-feet of supplemental storage space for irrigation purposes, and I think that it has been made very clear this year, which has been a dry year in Idaho, that 100,000 acre-feet of additional supplemental irrigation water could be the measure of insurance that could save the farmers from disaster. So I would think that that would be an important irrigation factor to be considered.

Yet, the charges made in this pamphlet that the Burns Creek project cannot be regarded as a reclamation project, irrespective of the 100,000 feet of supplemental irrigation storage, because it does not reclaim new land.

Now, does this project contribute in any way to the reclamation of new land? What connection does it have with the reclamation of new land, if any?

Mr. BENNETT. In the first place, Mr. Chairman, the 100,000 acre-feet of conservation space in the reservoir would be devoted to furnishing supplemental water to existing irrigated lands. This is a type of priority that policywise has been given to water historically.

In the second place, the summer pumping energy that could be developed by the Burns Creek project could be used by private operators to help develop the very substantial underground water basin that exists in what is known as the Snake River Plain.

We estimate that there would be sufficient summer energy available for that purpose, considering the probable heads they would have to pump against, so that somewhere in the order of 65,000 acres could be developed through use of the pumping energy that would be made available by adding Burns Creek to this system.

Senator CHURCH. Is it not true that in this portion of southern Idaho we have very large subterranean sources of water, and that the most significant additions to irrigated land that have occurred in the last 15 years in Idaho have occurred as the result of pumping?

Mr. BENNETT. This is correct. Yes, sir.

Senator CHURCH. Tapping this underground water source, through pumping?

Mr. BENNETT. Yes, sir. We are ourselves just now completing what is known as the Minidoka-North Side Development. That is basically a ground water pumping project.

Senator CHURCH. So the additional power that Burns Creek will furnish, or a substantial part of it, would meet pumping needs in the area, which in turn relate to bringing in new land? Is that correct?

Mr. BENNETT. That is correct.

Senator CHURCH. I note in the pamphlet another statement that I think calls for an answer, or at least some further explanation than is to be found here. And that is the statement that Burns Creek would remove more than 3,000 acres now in production. What are the facts in connection with these lands that are to be inundated by Burns Creek?

Mr. BENNETT. Our surveys of the project indicated to us that of the lands to be inundated, about 1,400 we classify as cultivated lands, which are used primarily for hay and grain crops in the Conant Valley, which is near the upper end of the reservoir. The balance of the Burns Creek Reservoir area, of about 2,800 acres, is now used for occasional pasture and hillside grazing, where it is not too rocky and steep.

The river bottom itself is covered with low brush, willows, and cottonwood trees. There is some timber on the sides of the canyon and on the river bottom.

Senator CHURCH. That is the land that is referred to as the 3,000 acres that would be eliminated?

Mr. BENNETT. I would assume so; yes.

Senator CHURCH. There is another statement here, Mr. Bennett. The pamphlet labels as a fiction that Burns Creek is a regulation project, because not one penny of the project's total cost, reading now from the pamphlet, is allocated to reregulation to protect downstream irrigators.

What comment do you have on that statement?

Mr. BENNETT. Well, we in the Bureau do not make allocations to so-called reregulation. Reregulation which could be provided by this particular structure or similar structures which we have already built is done to benefit a project function, such as irrigation or power, and is not done for the sake of reregulation as such.

In each case where we have constructed what we call reregulation reservoirs, such as Keswick, below Shasta Dam, the allocation of cost has been made to the function which it benefits and not to reregulation as such.

Senator HICKEY. Mr. Chairman, I wonder if I could interpose a question?

Senator CHURCH. Certainly, Senator.

Senator HICKEY. Do you consider the Gray's Reef as a reregulation structure?

Mr. BENNETT. Yes, sir; we do.

Senator HICKEY. And I notice in your comments, here, your initial comments, that you said that there was a reregulation feature with the Burns Creek. Is it in addition to the dam itself, or is it part of the dam, and the reregulation for the Palisades?

Mr. BENNETT. It is a part of the dam, and is a reregulation for the Palisades releases.

Senator HICKEY. Is it in addition to the dam? Or is it as a part of the dam?

Mr. BENNETT. It is as a part of the dam.

Senator HICKEY. Now, what is the effect of peaking and lowering the power needs, with regard to the lower users, irrigation users?

Mr. BENNETT. At the present time, Senator, we cannot operate Palisades by fluctuating the water releases. The releases there are made for the benefit of the downstream irrigators, and throughout

the irrigation season we try to hold those releases as constant as possible to benefit the irrigators.

During the winter months, when the irrigators are not using water, most of the water is put in storage. We can and do fluctuate the winter releases to a degree but the winter releases are minimal due to the requirement to store. The reservoir is not operated for the benefit of the powerplant installed at Palisades.

However, with a Burns Creek Reservoir down below, we could then operate Palisades with fluctuating releases in the summertime. This would be very similar to what we are now doing on the North Platte River, with which you are familiar, where we have Alcova down below Seminoe. You can recapture the water in one reservoir and make its release more uniform below.

Senator HICKEY. Now, is the reason for your delegation of waters that are contained in this project the fact that you have not been able to fulfill the irrigation commitments or requirements to the lower users?

Mr. BENNETT. That is correct. There is at present about 650,000 acres of irrigated land along the Snake River that is subject to and does have water shortages. The 100,000 acre-feet of space would help alleviate that shortage.

Senator HICKEY. When you speak of supplemental supply, do you have a Federal definition of supplemental supply, or do you take into account the difference in the interpretation of supplemental supply that might occur in the States that would be involved?

Mr. BENNETT. We consider supplemental supply as applying to lands which now have irrigation water but do not have it in an adequate amount. It is devoted to rounding out a full water supply.

Senator HICKEY. Now, that is basically the common law or common usage?

Mr. BENNETT. Common usage, yes, sir.

Senator HICKEY. What about the surface statutes that there might be in Wyoming, as related to the supply statutes, and the ones that might occur in Idaho? I do not know what they are in Idaho.

Senator Church, you do not have a supplemental supply statute that is definitive, as such?

Senator CHURCH. No.

Senator HICKEY. You have a surplus statute?

Senator CHURCH. Yes.

Senator HICKEY. What will be the regulation with regard to the common usage doctrine you have subscribed to? Are there surplus statutes within the adjoining States?

Mr. BENNETT. I think there are three or four things, Senator, to be considered. When Palisades was constructed, its capacity was limited, in order to not back water into Wyoming. So it has not been able to provide a full water supply to these Idaho irrigators.

Now, as far as Wyoming is concerned, we have tried, in our water supply studies, to leave in the stream for use of Wyoming users, all of the uses that we could see in the Snake River Basin; so that in that sense, I think what you are talking about as to surplus has been accounted for.

There is also the existing compact on the Snake River that spells out how much water Wyoming gets, which I think is your particular concern.

Senator HICKEY. And how about the priority of use? You spoke about the priorities of use with this supplemental supply.

Mr. BENNETT. I was not talking there about priority of use in terms of law. I was indicating that as a matter of policy, we believe that water supplies that can be developed should go first to rounding out supplies that are not now full supplies, rather than being devoted to new lands.

Senator HICKEY. Then I conclude that the supplemental irrigation use that would be developed by the creation of this dam would go first to rounding out inadequate irrigation priorities at the present time, both in Wyoming and Idaho, as the compact, permits it.

Mr. BENNETT. Well, to rounding out the uses only to Idaho; but water under the compact, which might in the future be used in Wyoming, has not been considered a part of the water supply available for filling the conservation space.

Senator HICKEY. Then that gets back to my final question.

The basic function of this with regard to Wyoming would not be an irrigation function?

Mr. BENNETT. That is correct.

Senator CHURCH. Now, Mr. Bennett, even though, as you have explained, money is not allocated to the regulation function, the re-regulation function is still a principal reason for building the dam, is it not?

Mr. BENNETT. That is correct.

Senator CHURCH. And since it will enable you to catch the flow of the water coming over Palisades and hold it in your reservoir behind Burns Creek, and then discharge it from the Burns Creek Reservoir in a regular flow, you will be able to utilize the public investment in the Palisades project to its fullest potential and get full peaking capacity out of Palisades. Is that correct?

Mr. BENNETT. That is correct.

Senator CHURCH. So, in other words, Burns Creek helps us get our money's worth out of Palisades in such a way as will not interfere with the irrigation works downstream?

Mr. BENNETT. That is correct.

Senator CHURCH. And this is why you have always regarded it as an integral part of the Palisades project—the final step that completes the Palisades project, which has very evident multiple-purpose benefits? Is that correct?

Mr. BENNETT. Yes, sir.

Senator CHURCH. Then what about the charge made, once again, in the pamphlet, that it is a fiction that Burns Creek is required to firm up the peak generation at Palisades? And the reason given for that statement is that we could accomplish the same thing cheaper if we purchased power to firm up Palisades. What are the facts about that?

Mr. BENNETT. The pamphlet quotes me as making that statement, and I did make that statement. But it is quoted out of context. The place where I find the quotation is on page 91 of the published hearings before the Subcommittee on Irrigation and Reclamation of the House Interior and Insular Affairs Committee.

At that point in the hearings, I was responding to a question in regard to a single purpose reregulating reservoir at the Conant Valley site, which was one of the alternates we investigated.

My answer to the particular question at that time had nothing to do with the Burns Creek project as we see it now in its relation to Palisades.

Burns Creek will, as we just commented, permit the fluctuating releases at Palisades, and thereby improve both the power production at Palisades and, by its own generators, add power production to the system at Burns Creek.

Senator CHURCH. I also find the argument in the pamphlet that Burns Creek has no flood control benefits. Is this so?

Mr. BENNETT. We have not allocated either space or money to flood control in the Burns Creek project. It must be recognized, though, that any time you construct a reservoir, it is bound to have some effect on controlling flood peaks.

In the particular case, here, however, the flood control benefits that could be assured out of a Burns Creek operation, and which would be only incidental to operation, were so minor that we did not feel justified in making an allocation to flood control.

Senator CHURCH. In the pamphlet, the following statement is made: "More than half of the Government power produced in the area is allocated to the three municipalities primarily serving urban residents and businesses, not irrigation customers."

Now, I take it that that refers to the allocations to preference customers presently being made at the Palisades project. What comment do you have on this statement?

Mr. BENNETT. It would refer to the preference customers, and it would also have to refer only to commercial power for sale.

In determining the power which is available for commercial sale, it must be borne in mind that the first call for power produced on reclamation projects is that for project use.

Under this criterion, for the southern Idaho system, there is first allocated to irrigation pumping 73,000 kilowatts, out of a total of 155,000 kilowatts in the system, or about 47 percent. Out of the remainder, of about 82,000 kilowatts, the three municipalities, Idaho Falls, Burley, and Rupert, receive 34,500 kilowatts. This is 22 percent of the total, or 42 percent of the remainder of the 82,000.

The remaining power in the system is allocated to the REA's, the cooperatives, and some small towns.

In connection with commercial sales only, and if we ignore the important aspect of irrigation pumping, which we do not think is proper, then the three municipalities are receiving about 57 percent of the commercial power sales.

Senator CHURCH. I appreciate these answers, Mr. Bennett, because I think that it is important that we have these responses to the charges that are made in this pamphlet in the record of these proceedings.

(The prepared statement of N. B. Bennett, Jr., Assistant Commissioner, Bureau of Reclamation, follows:)

STATEMENT OF N. B. BENNETT, JR., ASSISTANT COMMISSIONER, BUREAU OF RECLAMATION

This statement will bring up to date data concerning the proposed Burns Creek Dam, Reservoir, and powerplant, which were last presented to this Senate committee on March 16 and May 11, 1959.

The project is essentially the same as that described in the report of the Secretary of the Interior, transmitted to the Congress on April 4, 1957, and subsequently printed as House Document 147, 85th Congress.

This project, in brief, would consist of a 175-foot high, rolled earth filled dam, 1,900 feet long, located on the Snake River, about 30 miles downstream from the existing Palisades Dam, Reservior, and powerplant and about 38 miles east or upstream from Idaho Falls, Idaho. The dam will form an 18-mile-long reservoir, with total storage capacity of 234,000 acre-feet, of which 100,000 acre-feet would be set aside for holdover irrigation storage, 17,000 acre-feet would be set aside for reregulation of peaking power discharges from Palisades Reservoir, and the remaining 117,000 acre-feet would be used to maintain a conservation pool and for at-site power head.

The powerplant would consist of three 30,000-kilowatt units for a total installed capacity of 90,000 kilowatts, together with the necessary switchgear, substation, and transmission facilities to connect with the existing substation at Palisades Dam and at the Goshen substation near Idaho Falls. The Burns Creek development would be integrated electrically, hydraulically, and financially with the existing Palisades project. The Palisades Reservoir of 1,200,000 acre-feet of active capacity was filled for the first time in 1959, although the first unit of the 114,000-kilowatt powerplant has been in operation since February 1957. All four of the 28,500-kilowatt units are now in service.

PROJECT COST

The cost estimates have been reviewed using October 1960 prices and we find that the amount of $45,430,000 is still valid. The allocation of $45,430,000 is as follows:

| | |
|---|---|
| Irrigation | $1,329,000 |
| Power | 44,052,000 |
| Recreation [1] | 49,000 |
| Total | 45,430,000 |

[1] The $49,000 allocation to recreation is wholly for minimum recreational facilities. Our understanding is that there will be fish and wildlife costs of about $1,260,000 if all proposed recommendations of the Fish and Wildlife Service are ultimately adopted. This cost would be in addition to the $45,430,000 estimate; however, since it would be a specific nonreimbursable cost, it would not affect the reimbursable cost allocations or the repayment study. The intention is that such fish and wildlife costs will be fully considered during the definite plan report studies to be undertaken if and when the Burns Creek development is authorized.

RATIO OF BENEFITS TO COSTS

Based upon the current estimate and power and irrigation benefits calculated using current procedures, the ratio of benefits to costs amounts to 1.33 to 1 for a 50-year period of analysis and 1.65 to 1 for a 100-year period. These benefit-cost ratios do not reflect the inclusion of fish and wildlife facilities.

FINANCIAL ANALYSIS

The proposed Burns Creek development and it integration with the existing Palisades project have been completely reanalyzed within the past year. This reanalysis is based upon current practices and procedures of the Bureau of Reclamation, such as the use of 2.632 percent interest for amortization of the commercial power cost of Burns Creek. This is the rate certified to reclamation by the Secretary of the Treasury in accordance with the Water Supply Act of 1958 (Public Law 85-500). This is the same rate which is used for the Colorado River storage project and participating projects and the Norman project, Oklahoma.

The operation and maintenance costs are now on the basis of automatic operation of the Burns Creek powerplant from the Palisades powerplant. The original plan was for semiautomatic operation of Burns Creek. Replacement costs have been recalculated in accordance with the method adopted within the past year reclamation, which is also in use on its other projects.

The current analysis shows that all costs allocated to commercial power for both Palisades and Burns Creek, including interest during construction, would be repaid with interest in the 40th year of the Palisades payout study, which corresponds to the 30th year in the Burns Creek repayment schedule. All irrigation costs assigned to be repaid through use of power revenues would be repaid in the 50th year of the Palisades study which is the 40th year in the payout of Burns Creek. These irrigation costs include not only those directly attributable to Palisades and Burns Creek, which are respectively $10,698,000 and $554,000, but also cost assignments from reclamation's Michaud Flats project and the Michaud unit of the Fort Hall Indian irrigation project. The total of the costs assigned from these last two projects is about $4,348,000. This repayment is conservative in that the required assistance to the irrigation projects is accomplished in less than 50 years after water is made available to the lands and no development period is included. Ordinarily the 50-year repayment period starts at the end of up to a 10-year development period and not with the first availability of water.

The payout periods are summarized as follows:

| Payout achieved | Year of operation | |
|---|---|---|
| | Palisades | Burns Creek |
| Palisades commercial power allocation | 12 | 2 |
| Burns Creek commercial power allocation | 40 | 30 |
| Irrigation assistance | 50 | 40 |

### MARKET FOR IRRIGATION STORAGE SPACE

The active capacity of Palisades Reservoir was fixed by site limitations at 1,200,000 acre-feet, and this space was oversubscribed to the point where it became necessary for the Government to set up an advisory committee to adjust the requests to the amount available. As of this date, 56 contracts have been agreed to by water user entities for all of the available Palisades space. As a result of this oversubscription, the water users signing Palisades contracts agreed that any long-term holdover irrigation storage space—up to 300,000 acre-feet—constructed in the future on the Snake River or tributaries, if made available to Palisades space contractors, would be operated as though it had the same priority as far as use is concerned as Palisades space. The language of S. 66 permits this provision to apply to the 100,000 acre-feet of new irrigation storage space in Burns Creek Reservoir, which has the effect of very greatly increasing the effectiveness of Burns Creek space for irrigation purposes.

In October 1958 the watermaster of water district No. 36, who was also a member of the Palisades Space Allocation Committee, issued a call for applications for Burns Creek space on a when, as, and if available basis. This space was again immediately oversubscribed when some 53 entities submitted applications for 141,000 acre-feet against the 100,000 acre-feet that might be available. The list of these applicants is attached as table No. 2.

### POWER PRODUCTION AND MARKET

In August 1959 the Bureau entered into a coordination contract with the Idaho Power Co. which is applicable to the system of Federal powerplants in southern Idaho (Boise, Minidoka, and Palisades projects). The effect of this contract is to permit the Bureau to market power based upon 1936–37 water conditions rather than the more adverse year of 1934–35. The difference is about 30,000 kilowatts of power. The analysis of Burns Creek does not assume

that Burns Creek would be benefited by the coordination arrangements. However, we believe that the mutual benefits of incorporating Burns Creek into the coordinated system should be fully explored if and when the project is authorized.

As far as Burns Creek is concerned, its addition to the present arrangement does not increase system sales quite as much as would its addition to Palisades alone. When the output of the proposed Burns Creek project is added to the present system, the system sales are 1,233 million kilowatt-hours in an average year. The addition attributed to Burns Creek is 430 million kilowatt-hours. This amount of increase breaks down about as follows:

| Type of energy: | *Million kilowatt-hours* |
|---|---|
| Firm | 151 |
| Non-Federal irrigation pumping | 97 |
| Nonfirm | 182 |
| Total | 430 |

In estimates made a year ago, based upon our experience on the Minidoka North Side pumping division, we have roughly estimated that 154 million kilowatt-hours of pumping energy would pump water for the irrigation of 75,000 to 100,000 acres, allowing for a higher pump lift than experienced on the North Side division. On the same basis for estimating the acreage as used above, the 97 million kilowatt-hours of non-Federal pumping energy would provide for the irrigation of 50,000 to 65,000 acres.

### POWER RATES

It is estimated that all reimbursable project costs, including irrigation assistance, will be returned within 50 years (measured from year 1 of Palisades) at the existing Palisades project wholesale rate structure. This, as stated previously, is well within the time period normally permitted by the more recent acts of the Congress. Under these schedules, the average rate is 4.7 mills per kilowatt-hour for firm; 4.5 mills per kilowatt-hour for irrigation season firm; 3 mills per kilowatt-hour for pumping energy to existing Federal projects; and 2 mills per kilowatt-hour for nonfirm and dump energy. The average estimated return for all sales, based upon total average year generation less losses, would be 3.7 mills per kilowatt-hour.

All firm power available from the upper Snake River Basin plants, including Palisades, has been sold to some 20 preference customers and Federal irrigation projects, some of whom started taking power from the Minidoka plant in 1911. At the present time, the peak requirements of a number of these customers is approaching their present contract ceiling as is illustrated in table 3. In the aggregate, it is estimated that their load growth will equal present system firm power output by about 1965.

TABLE 1.—*Costs, allocations, and repayment*

[January 1959 price levels]

COSTS

| | Palisades | Burns Creek | Total |
|---|---|---|---|
| Dam and reservoir | $44,534,117 | $13,343,000 | $57,877,117 |
| Powerplant | 12,039,684 | 28,103,000 | 40,142,684 |
| Switchyard | 1,270,497 | 1,211,000 | 2,481,497 |
| Goshen transmission | 2,269,704 | 2,082,000 | 4,351,704 |
| Communication | 27,196 | | 27,196 |
| Camp | 841,041 | 642,000 | 1,483,041 |
| Fish and wildlife and recreation | 636,887 | 49,000 | 685,887 |
| Total, construction cost | 61,619,126 | 45,430,000 | 107,049,126 |
| Interest during construction | [1] 958,626 | [2] 2,700,000 | 3,658,626 |
| Total | 62,577,752 | 48,130,000 | 110,707,752 |

ALLOCATIONS

| | | | |
|---|---|---|---|
| Nonreimbursable: | | | |
| Flood control | $22,456,000 | 0 | $22,446,000 |
| Fish and wildlife and recreation | 636,887 | $49,000 | 685,887 |
| Total, nonreimbursalbe | 23,092,887 | 49,000 | 23,141,887 |
| Reimbursable: | | | |
| Irrigation | 19,997,748 | 1,329,000 | 21,326,748 |
| Commercial electric plant | 10,931,810 | 44,052,000 | 54,983,810 |
| Irrigation electric plant | 7,596,681 | 0 | 7,596,681 |
| Subtotal, reimbursable | 38,526,239 | 45,381,000 | 83,907,239 |
| Interest during construction | 958,626 | 2,700,000 | 3,658,626 |
| Total, reimbursable | 39,484,865 | 48,081,000 | 87,565,865 |

REPAYMENT

| | | | |
|---|---|---|---|
| Irrigation allocation: | | | |
| Irrigators | $9,300,000 | $775,000 | $10,075,000 |
| Aid from commercial power | 10,697,748 | 554,000 | [3] 11,251,748 |
| Subtotal | 19,997,748 | 1,329,000 | [3] 21,326,748 |
| Irrigation electric plant | 7,596,681 | 0 | 7,596,681 |
| Commercial electric plant: | | | |
| Allocation | 10,931,810 | 44,052,000 | 54,983,810 |
| Interest during construction | 958,626 | 2,700,000 | 3,658,626 |
| Total | 11,890,436 | 46,752,000 | 58,642,436 |
| Total reimbursable | 39,484,865 | 48,081,000 | [3] 87,565,865 |

[1] Based on 2½ percent interest rate.
[2] Based on 2.632-percent interest rate.
[3] Does not include $4,347,926 irrigation assistance which will be provided from power revenues for Michaud division of the Fort Hall Indian Reservation and Michaud Flats project (Public Law 741, 83d Cong., 2d sess.).

BURNS CREEK RESERVOIR

A circular letter was sent October 8, 1958, to holders of Palisades Reservoir space asking that those who desire additional space in the proposed Burns Creek Reservoir file their applications for same. Replies have been received to date

from 53 canal companies, irrigation districts, and individuals, making application for a total of 141,740 acre-feet in the Burns Creek Reservoir. Inasmuch as there is only 100,000 acre-feet of available space, it will be necessary for the Bureau of Reclamation to appoint an allocation committee to allot the available space in accordance with the greatest needs of the applicants.

The following applications have been received:

TABLE 2.—*Applications for Burns Creek space*

| | *Acre-feet* |
|---|---|
| C. Warren Blakely, Route 2, Rigby | 250 |
| Marion Blakely, Ririe | 800 |
| Jay, Keith, and Garth B. Bromwell, Star Route, Roberts | 1,700 |
| Butler Island Canal Co., Rigby | 1,200 |
| Melvin Danielson, Route 4, Idaho Falls | 100 |
| Danskin Ditch Co., Moreland | 1,000 |
| Dilts Irrigation Co., Ltd., Lorenzo | 200 |
| Enterprise Canal Co., Ltd., Rigby | 20,000 |
| Farmers Friend Irrigation Co., Idaho Falls | 8,500 |
| Marry Fell, Route 2, Rigby | 300 |
| Lee L. Fredsham, Route 2, Burley | 900 |
| Chester W. Geisler, Lorenzo | 100 |
| D. V. Hagenbarth, Island Park | 320 |
| Howard Hatfield, Box 625, Palisades | 200 |
| A. O. Hogan, Star Route, Ririe | 300 |
| Idaho Irrigation District, Idaho Falls | 21,200 |
| Island Irrigation Co., Lorenzo | 22,500 |
| Thomas W. Jackson, Route 1, Roberts | 200 |
| J. W. Jones, Route 2, Rigby | 100 |
| Vance C. Koon, Thornton | 780 |
| Labelle Irrigating Co., Rigby | 800 |
| Liberty Park Irrigation Co., Rexburg | 1,000 |
| Ralph O. Lounsbury, Route 2, Rigby | 300 |
| Lowder Slough Irrigation Co | 1,000 |
| Lee Marshall & Sons, Route 5, Idaho Falls | 100 |
| W. A. Miller, Box 154, Rigby | 200 |
| Milner Low Lift Irrigation District, Murtaugh | 15,500 |
| B. D. Murdock, Roberts | 120 |
| North Side Canal Co., Ltd., Jerome | 16,600 |
| Parks & Lewisville Irrigation Co., Rigby | 6,000 |
| Parsons Ditch Co., Blackfoot | 300 |
| Progressive Irrigation District, Idaho Falls | 10,000 |
| Reid Canal Co., Thornton | 1,000 |
| D. F. Richards, Idaho Falls | 1,000 |
| Rigby Canal & Irrigating Co., Inc., Rigby | 1,700 |
| Frederick J. Roth, Lorenzo | 200 |
| Richard Roth, Route 1, Thornton | 100 |
| Rudy Irrigation Canal Co., Rigby | 800 |
| H. Allen Sellers, Route 2, Rigby | 500 |
| Shattuck Irrigation Co., Idaho Falls | 1,100 |
| Ervin B. Smith, Thornton | 200 |
| Snake River Valley Irrigation District, Shelley | 9,700 |
| Francis Stoltenberg, Swan Valley | 1,200 |
| Sunnydell Irrigation District, Thornton | 5,000 |
| Texas Slough Irrigating Canal Co., Rexburg | 1,000 |
| H. W. Tomchak, Roberts | 20 |
| Utah-Idaho Sugar Co., Idaho Falls | 4,000 |
| Watson Slough Ditch & Irrigation Co., Blackfoot | 650 |
| Arvey A. Weeks, Swan Valley | 400 |
| Ivan R. Weeks, Swan Valley | 200 |
| Virgil Rutledge, Lorenzo (White Ditch) | 200 |
| Lloyd Wilkins, Star Route, Ririe | 100 |
| Woodville Canal Co., Idaho Falls | 1,100 |
| Total | 141,740 |

TABLE 3.—*Commercial power contracts*

| | Contract rate of delivery (kilowatts) | | Highest recent maximum demand | | | |
|---|---|---|---|---|---|---|
| | | | Winter | | Summer | |
| | Winter | Summer | Month | Kilowatts | Month | Kilowatts |
| Boise project: Prairie Power Cooperative. | 600 | 675 | November 1959 | 437 | August 1960 | 522 |
| Palisades project: | | | | | | |
| City of Idaho Falls | 30,900 | 22,600 | December 1960 | 21,584 | September 1960 | 15,764 |
| Fall River REA | 3,200 | 5,190 | October 1960 | 2,310 | August 1960 | 3,506 |
| Lost River REA | 3,900 | 4,400 | do | 3,300 | July 1960 | [1] 4,788 |
| Lower Valley REA | 5,200 | 5,420 | December 1960 | 4,000 | August 1960 | 5,050 |
| Subtotal | 43,200 | 37,610 | | 31,274 | | 29,098 |
| Minidoka project: | | | | | | |
| Albion | 660 | 535 | do | 568 | May 1960 | 348 |
| Burley | 9,300 | 7,270 | January 1961 | 7,360 | August 1960 | 6,060 |
| Declo | 500 | 360 | do | 262 | September 1960 | 218 |
| Heyburn | 4,000 | 3,100 | December 1960 | 3,850 | do | 2,900 |
| Minidoka | 250 | 200 | January 1960 | 154 | September 1959 | 124 |
| Rupert | 6,100 | 4,640 | do | 5,100 | August 1960 | 3,800 |
| East End Mutual Electric Co | 760 | 610 | do | 584 | do | 440 |
| Farmers Electric Co | 320 | 280 | December 1960 | [1] 340 | September 1960 | 230 |
| Raft River Rural Electric Co | 4,000 | 17,800 | November 1960 | 3,000 | July 1960 | 13,000 |
| Riverside Electric Co | 550 | 480 | January 1960 | 504 | May 1960 | 372 |
| Rural Electric Co | 3,500 | 2,400 | do | 1,944 | August 1960 | 1,640 |
| South Side Electric Co | 1,100 | 2,000 | do | 816 | September 1960 | 1,738 |
| Unity Light & Power Co | 2,560 | 2,300 | do | 2,456 | August 1960 | 1,910 |
| Walcott Electric | 200 | 190 | do | 139 | September 1959 | 127 |
| Paul Electric Co | 2,400 | 1,620 | January 1961 | 1,696 | August 1960 | 1,376 |
| Subtotal | 36,200 | 43,785 | | 28,673 | | 34,283 |
| Total | 80,000 | 82,070 | | 60,384 | | 63,903 |
| RECLAMATION PROJECTS | | | | | | |
| Irrigation and project use | | | December 1960 | 1,700 | July 1960 | 62,300 |
| Total (rounded) | | | | 62,000 | | 126,000 |

[1] Demand exceeded the contract rate of delivery.

(The following communication was subsequently received in response to the questioning of the Bureau in regard to the Utah Power & Light Co. pamphlet:)

U.S. DEPARTMENT OF THE INTERIOR,
BUREAU OF RECLAMATION,
*Washington, D.C., March 20, 1961.*

HON. FRANK CHURCH,
*U.S. Senate, Washington, D.C.*

DEAR SENATOR CHURCH: As requested in your letter of March 8, we have reviewed the pamphlet entitled "Burns Creek $50 Million White Elephant," and we present for your information the following detailed rebuttal of specific statements contained therein.

This, of course, is supplementary to the rather extensive discussion of some of these points during the hearings on S. 66 on March 15 before the Senate Interior and Insular Affairs Committee.

An urgent need exists for a reregulating dam and reservoir below Palisades. A reregulating project as planned by the Bureau of Reclamation would provide badly needed water conservation storage capacity and, in addition, would make possible the fluctuating of water releases from Palisades. Water releases from Palisades are now made in strict conformity with downstream beneficial uses and rights which follow a generally uniform pattern. With the reregulating reservoir, fluctuating releases can be made from Palisades and smoothed out in the reregulating reservoir so that the uniform pattern is moved downstream and released

from Burns Creek. Thus a more efficient use is made of an existing powerplant, added conservation space is obtained, and a new resource, falling water through a new powerplant, is obtained.

The pamphlet infers that the Burns Creek project is not an irrigation project because it would not irrigate any new land. This is like saying that all irrigation projects must supply water to new lands despite existing needs for supplemental water for inadequately irrigated lands. Such a policy, which is not followed by either the States or the Federal Government, would foster economic insecurity. It is only logical to first devote water supplies to filling out presently insufficient irrigation supplies to land already devoted to irrigated agriculture rather than to bring into production new irrigated lands. Some 650,000 acres are now irrigated in the upper Snake River Basin in Idaho, and most of them are in need of more water to achieve optimum production.

The 100,000 acre-feet of storage space to be provided in Burns Creek Reservoir would help to satisfy that need, in addition to which the energy generated at Palisades and Burns Creek Dams could be sold during the irrigation season to encourage the development by private capital of wells and pumping plants to serve about 65,000 acres of new lands. The increased agricultural production, new farms, and supporting population which results will expand the general economy and tax base, both locally and nationally.

The pamphlet labels Burns Creek a flood control project that won't help control floods. The Bureau has made no claim of benefits or allocated any space or money to flood control. Because of this fact, 99.9 percent of the project cost is reimbursable, and the taxpayers of the Nation are not bearing the cost as they do for flood control throughout the country, particularly in the Eastern States.

The charge is made that the project would provide subsidized below-cost power to a favored few. The payout studies show that in accordance with accepted practices of operation and analysis the entire cost allocated to power is repaid with interest, in this case, in 40 years. The costs and rates are determined, as a matter of fact, on the same basis as are rates in contracts for the sale of Government power to Utah Power & Light Co.

The reference to the "favored few" refers, of course, to the preference customers, such as REA's, cooperatives, and municipalities, which under Federal law have first call upon Federal power not needed for project purposes. All power not used for project purposes or sold to preference customers is available for purchase by the private utilities in the area. Between July 1, 1959, and June 30, 1960 (fiscal year 1960), these utilities purchased 44 percent of the total sales from the southern Idaho Federal power system.

The statement is made that efforts have been made to camouflage the true purpose of the Burns Creek project. The facts are clearly on the record through voluminous testimony and through the Bureau reports. It is not fiction that 42.7 percent of the reservoir capacity is for conservation space, and, when and if necessary, 92.7 percent of the reservoir capacity can be utilized to provide water for beneficial consumptive use, and that only 7.3 percent of the total capacity is not available for water conservation. The power function is, of course, vitally important to the financial feasibility of the project as it is power revenues that assure repayment of the project.

About 97 percent of the project cost is allocated to power. This entire allocation, with interest, plus $554,000 of the irrigation allocation will be returned to the Treasury from power revenues. It is not fiction that the water users need and want the water to be conserved by the reservoir. There can be no better proof of the need for and value of this function than the fact that applications are already on file for more space than will be available and that the water users are prepared to pay for the use of that space.

The fact that the majority of the cost of the project is allocated to power is no true measure either of its function or its worth. The Hoover Dam, a part of the Boulder Canyon project of the Bureau of Reclamation, one of the most famous of water conservation structures, has not one cent of its cost allocated to irrigation or to municipal or industrial water, or any purposes other than power and flood control. Yet upon this structure hangs the lifeblood of many thousands of acres of irrigated land and the drinking water of thousands of people in Arizona, California, and Nevada. Incidentally, Hoover Dam was also labeled a "White Elephant" during its authorization days; so, for that matter, was Grand Coulee Dam.

The project will be built by appropriations made by the Congress. These appropriations constitute an investment in the future and welfare of the United States. About 40 percent of the money will come from the reclamation fund, which is available only for the purpose of building reclamation projects and is not derived from taxation. The increase in investment in the Palisades project because of adding Burns Creek is 73 percent, while the power revenues are increased 94 percent. That the total allocation to power is an investment, and a good one, is also illustrated by the fact that after the entire power allocation is repaid with interest, the investment produces an annual cash return of 4.4 percent in addition to the irrigation benefits that continue indefinitely.

Much space is devoted to an attack on the irrigation aspects of the project. The fact that the storage space provided will be needed infrequently merely points up the purpose of the storage, i.e., for long-term holdover. Existing storage provides the annual regulation needed to conserve normal flow fluctuations, but occasional years of abnormally high runoff do occur, when water desperately needed in normal and subnormal years now must be wasted.

The storage capacity provided in Burns Creek Reservoir would permit the conservation of such flows for release when needed. The value of such water is clearly evidenced by the water users' oversubscription of the potential storage space and their willingness to pay for it.

Burns Creek Dam, Reservoir, and Powerplant would not remove 3,000 acres from production. The reservoir at maximum pool elevation would cover 4,190 acres, of which 1,400 acres are cultivated agricultural lands used primarily for hay and grain crops, the remainder being poor grazing land, rough and rocky hillsides, or river bottom and uncleared riverbank and flood plain.

The pamphlet refers to "reregulation" as though that is a purpose separate and apart from other purposes. Reregulation, of course, is not a project purpose in and of itself. It is a method of operation by which the real purposes of the project are achieved. Therefore the costs incurred to reregulate releases are allocated to the purpose or purposes directly benefited. That such charges are bruited about are not only insults to the intelligence of every engineer, including those employed by the company, but also demonstrates the absurd lengths to which the company has gone in an effort to mislead the public and the Congress. In the case of Burns Creek Dam, this reregulating function serves a very constructive purpose. Palisades Dam cannot now be and is not being operated to optimum efficiency for power generation because the releases are dictated by other requirements. Addition of Burns Creek to the system would have the effect of essentially freeing Palisades Dam for short-term operation from the restrictive effect upon power generation imposed by riverflow requirements.

The quotation from Mr. Bennett's testimony in regard to peaking capacity is out of context. Mr. Bennett made his statement in connection with a question regarding a possible small reservoir at the Conant Valley site, which was investigated as one possible means of serving the reregulating function only. It is clear in the record that the statement made has nothing to do with the Burns Creek project and its relationship to Palisades.

Some of the power generated in the Federal system is sold to municipalities as preference customers, but the pamphlet is in error in ascribing more than half to such sale.

In determining what power is available, it must be borne in mind that the first call for power produced on reclamation projects is for project use. Under this criterion, there is first allocated to irrigation pumping 73,000 kilowatts out of a total of 155,000 kilowatts, or about 47 percent. Out of the remainder of about 82,000 kilowatts, three municipalities (Idaho Falls, Rupert, and Burley) receive 34,500 kilowatts, which is 22 percent of the total. The remainder, about 48,000 kilowatts, is allocated to REA's, cooperatives, and several small towns. The statement in the pamphlet is based upon commercial sales only and hence ignores the important aspect of irrigation pumping power.

To say that incremental Burns Creek revenues must equal or exceed the annual costs, including interest chargeable to the specific project operating in a system, is like trying to say that each time you ride a fleet taxicab your fare in that cab must be related to the cost of purchase and operation of the particular car in which you are then riding. Obviously this would result in chaos. The Secretary is required to maintain power rates in a power system adequate to return the costs associated with that system and this is done by a uniform rate applicable to all power in the system. In the same manner the owner of the

taxi fleet makes the same zone or meter charge regardless of which one of the cars in his fleet of cabs you ride in. No power company operates on the basis the company urges here.

The power company seems to feel that construction of Burns Creek would adversely affect coal mining for the thermal powerplant it is building at Kemmerer, Wyo. The president of the power company has stated that his company supported authorization of the Colorado River storage project. That project has an associated 1,168,000 kilowatts of hydroelectric power, but he did not here claim that this large amount of power had the same adverse effect on coal as the relative minor 90,000 kilowatts of Burns Creek power.

In view of these facts, the power company argument seems to be saying that its decision to construct the 500,000-kilowatt Kemmerer thermal plant hung upon the thin thread of serving some 10,000 average kilowatts of winter power and 23,000 average kilowatts of summer power in those portions of Idaho and Wyoming it now serves. Obviously, these responsible people made the decision to build such a large plant taking full account of load growth above that to be served by the Colorado River storage project and other outside services.

To argue that the estimates of load growth are so delicately balanced that the comparatively small output of the Burns Creek proposal will upset the thermal production schedule is ridiculous.

The record does not show that the power company was solicitous of the coal miners when it built its own hydroplant on the Bear River. Neither does it show that the company expressed such solicitude over the hydrodevelopments in the Hells Canyon reach of the river (i.e., Brownlee, Oxbow, and low Hells Canyon), nor over their own thermal plants that are fired with gas, and even pitch. The improvement in crop production on present lands, due to more water supply and private development of the new lands by ground-water pumping, will automatically increase markets for coal and coal products. The gains thus created will far offset any temporary questionable less use of coal in steam generating plants which might result from construction of Burns Creek.

The Burns Creek project proposal evolved from the water users' need for more storage capacity and from a Federal Power Commission analysis of hydropower potential. Water users oversubscribed for Palisades space, illustrating the need for more space. Wyoming was opposed to construction of any more reservoir space in that State on the Snake River, and the only remaining satisfactory site on the main stem of the Snake River in Idaho above points of water use was the Burns Creek site.

Burns Creek is a good project. It has a benefit-cost ratio of 1.65 to 1. In common terms this means the United States receives $1.65 of value for every $1 spent on the project. All reimbursable costs of the project will be repaid and 97 percent of that cost is repaid with interest.

All 650,000 acres of presently irrigated land in the valley can benefit from the conservation storage in the reservoir. Some 65,000 acres of new land can be privately developed by using summertime power produced on the project to pump ground water. The tax base of the counties, the State, and the Nation can thus be broadened materially.

The investment which the United States has made in the Palisades power facilities, plus that to be made in Burns Creek, will, after return of the reimbursable costs, produce net revenues annually equal to 4.4 percent on the investment. Not only does the United States thus receive back its capital with interest, but continues to receive an excellent return on the property it owns.

Burns Creek repaymentwise is comparable to, and in one respect better than, the total investment in reclamation facilities in the United States. These facilities, in contrast to many Government programs, are 92 percent reimbursable with 30 percent of the total being reimbursed with interest. Burns Creek cost is 97 percent reimbursable with interest.

Sincerely yours,

FLOYD E. DOMINY,
*Commissioner.*

Senator CHURCH. It is now 12:30, and the question arises as to how we ought best to proceed.

Would the members of the committee prefer to ask further questions of Mr. Bennett at this time, or would it be the pleasure of the committee that we now adjourn for lunch and commence anew at 2?

o'clock this afternoon, and make a very diligent effort to hear all of the witnesses today and complete the hearing by the end of the afternoon, if that is possible?

Of course, everyone who has come here and wants to be heard will be heard, regardless; but we should like to finish the hearings today, because the House hearings on the project commence tomorrow.

What is the pleasure of the committee?

Senator Hickey?

Senator HICKEY. The latter would be most agreeable to me.

Senator CHURCH. Senator Dworshak?

Senator DWORSHAK. May I suggest that we adjourn for lunch?

Senator CHURCH. Very well. We will stand adjourned at this time.

Mr. Bennett, have you a comment?

Mr. BENNETT. Mr. Chairman, may I make one comment?

There was supplied to the chairman this morning a letter dated March 15, 1961, from Assistant Secretary Holum in regard to the position of the Interior Department on a possible Gray's Lake wildlife development. We believe this to be a very important letter, and we would like to ask that it become a part of the record.

Senator CHURCH. It will become a part of the record. I shall attend to the placing of it in the record this afternoon.

We have a group of Idaho people here who are very vitally concerned with this question, and I think that they know the content of the letter, but I would like to call them forward the first thing this afternoon, if that would meet with their convenience, so that we may have from them their statements concerning this matter and we can put it into the legislative history so that there can be no mistake about it.

Mr. BAUM (O. R. Baum, Pocatello, Idaho). Senator Church, may I say that I will speak for the entire Gray's Lake group. I will only take about 2 minutes.

Senator CHURCH. Fine. Would it be convenient for you, then, to be one of the first witnesses this afternoon to speak for the group?

Mr. BAUM. Very, very agreeable.

Senator CHURCH. That is fine.

We will meet again, then, at 2 o'clock.

Mr. HOLUM. Mr. Chairman, because I may not be able to come back this afternoon, may I thank you for hearing us.

(Whereupon, at 12:35 p.m., the subcommittee recessed, to reconvene at 2 p.m., the same day.)

AFTER RECESS

(The subcommittee reconvened at 2 p.m., Senator Frank Church presiding.)

Senator CHURCH. The committee will be in order.

Before we proceed with further witnesses, I have some statements that should be filed for the record, and I submit them to the record at this time, with the understanding that they will then appear in the record at appropriate places.

The first is a statement of the National Rural Electric Cooperative Association in support of the Burns Creek project.

(The statement referred to follows:)

STATEMENT OF NATIONAL RURAL ELECTRIC COOPERATIVE ASSOCIATION, CHARLES A. ROBINSON, JR., STAFF ENGINEER

My name is Charles A. Robinson, Jr. I am the staff engineer and the staff counsel of the National Rural Electric Cooperative Association which is the national service organization of REA-financed rural electric systems throughout the United States. Approximately 92 percent of all such systems belong to NRECA which is an entirely voluntary membership organization.

We would like to add our voice to those urging authorization of the Burns Creek Reservoir project. The membership of the National Rural Electric Cooperative Association at its 19th annual meeting, held in Dallas, Tex., unanimously adopted, on February 16, 1961, a resoultion asking passage of such legislation.

Rural electric systems in Idaho and Wyoming, which depend upon the Palisades project and the Minidoka project for their wholesale power requirements, are in dire need of additional capacity to meet anticipated load growth. These systems serve approximately 7,300 consumers over 2,800 miles of distribution line. Their average consumer density is thus 2.61 per mile of line; approximately 20 percent less than the 3.25 per mile national average of all consumers served by REA-financed systems. The extremely thin nature of the territory served by the rural electric systems in question is somewhat compensated for by the fact that Federal power has been available to them at approximately 5.2 mills per kilowatt-hour. The preference customers directly affected by the proposed Burns Creek project undertook the distribution of electricity in their respective areas at a time when similar service was available from no other source; many of them at a time when the Bureau's Minidoka project was the sole source of wholesale electric energy in the area.

For these rural electric systems the only alternative to authorization and construction of the Burns Creek project is wholesale energy purchased from investor owned utility companies at approximately 10 mills per kilowatt-hour; twice the present Federal wholesale rate and twice the rate at which it is estimated Burns Creek power will be marketed.

This is not a case in which the Federal Government proposes to construct a powerplant to serve loads presently being supplied by investor owned companies. In fact, the Burns Creek authorizing legislation (S. 66) clearly contemplates, and effectively provides, that only customers entitled to preference under Federal reclamation laws would be afforded an opportunity to purchase power from the Burns Creek project, and then only in amounts necessary to supplement present wholesale supplies. This proviso appears beginning at line 15 of page 2, and reads as follows:

"Installation of power generating facilities shall be scheduled by the Secretary on the basis of providing for the additional power requirements of those entitled to preference in the purchase thereof under the Federal reclamation laws."

The circumstances under which rural electric systems in Idaho and Wyoming urge authorization of the Burns Creek powerplant seem to coincide closely with the problems contemplated by the President of the United States when, in his special message to the Congress on natural resources, dated February 23, 1961 he stated:

"To keep pace with the growth of our economy and national defense requirements, expansion of this Nation's power facilities will require intensive effort by all segments of our power industry. * * * Sustained heavy expansion by all power suppliers—public, cooperative, and private—is clearly needed.

"The role of the Federal Government in supplying an important segment of this power is now long established and must continue. We will meet our responsibilities in this field."

The Burns Creek project is supported by the present administration. It was supported for several years by the prior administration under President Eisenhower. It has passed the Senate on two occasions. Power from it is very badly needed by rural electric systems and other preference customers in the Snake River area of southern Idaho and western Wyoming. We again respectfully urge its favorable consideration by this subcommittee.

Senator CHURCH. The second is a statement presented by the Northwest Public Power Association in support of the Burns Creek project.

(The statement referred to follows:)

STATEMENT OF THE NORTHWEST PUBLIC POWER ASSOCIATION, GUS NORWOOD, EXECUTIVE SECRETARY

My name is Gus Norwood. For the past 14 years I have served as executive secretary of the Northwest Public Power Association comprising 115 public and cooperative electric systems serving some 2 million people in Alaska, British Columbia, Washington, Oregon, Montana, and Idaho.

By resolution of the board of trustees and membership, this association strongly endorses authorization by Congress of the Burns Creek Dam and the earliest feasible start of construction.

Burns Creek Dam is an essential element in the full, comprehensive, balanced multiple-purpose development of the upper Snake River. It will produce urgently needed electric power, which has a ready market, and will also increase the degree of river control and flexibility of operation to increase the usefulness of the completed Palisades Dam, in part, by reregulating discharges from that project. Our member systems are ready to buy the power.

As we testified in previous hearings, we also strongly support construction of transmission lines for integrating Federal dams in southern Idaho and marketing power to best advantage of the Government to preference customers.

The construction payroll will be a valuable shot in the arm for the southern Idaho economy.

The construction of the project is definitely in the local, regional, and national public interest. We therefore urge prompt authorization and earliest possible appropriation so work can begin.

Thank you.

Senator CHURCH. The third is a statement of Mr. Willis Walker, well-known farmer and citizen of eastern Idaho, and a member of the Committee of Nine, submitted in endorsement and support of the project.

(The statement referred to follows:)

STATEMENT OF WILLIS WALKER, REXBURG, IDAHO

Mr. Chairman and members of the committee, I am Willis Walker, a farmer residing at Rexburg, Idaho, and I operate 705 acres of irrigated farmland and a dairy herd of 140 Guernsey cows. I am a member of the Committee of Nine of Idaho Water District No. 36, and a director of the Fremont-Madison Irrigation District, and I am appearing here today in behalf of those organizations.

The proposed Burns Dam and Reservoir is a multiple-purpose project closely coordinated with the operation of the Palisades Reservoir which is upstream on the South Fork of the Snake River about 18 miles.

The holders of space in the Palisades Reservoir project are in need of additional supplemental water for irrigation and respectfully urge that 100,000 acre-feet of the storage capacity of Burns Creek Reservoir be made available for purchase by them. These water users realize the necessity of additional storage water for use during the dry years, and are of the opinion that this additional 100,000 acre-feet of storage space will produce the greatest benefit if it is made available for use on lands now under irrigation.

We do not agree with the position taken by the power companies and contend that this is first and foremost a reclamation project, and I challenge the power companies, or anyone else, to minimize the real value of this 100,000 acre-feet of additional supplemental water for irrigation in dry years.

I do not wish to take any further time of the committee other than to state that we need this project and that I wholeheartedly subscribe to the statement made by Mr. Leonard Graham, chairman of the Committee of Nine.

Senator CHURCH. The fourth is a statement of the Chamber of Commerce of the United States in opposition to the project.

(The statement referred to follows:)

CHAMBER OF COMERCE OF THE UNITED STATES,
*Washington, D.C., March 14, 1961.*

Hon. CLINTON P. ANDERSON,
*Chairman, Irrigation and Reclamation Subcommittee, Senate Interior and Insular Affairs Committee, New Senate Office Building, Washington, D.C.*

DEAR SENATOR ANDERSON: The Chamber of Commerce of the United States urges your committee to reject the Burns Creek Dam bill, S. 66, because it would authorize use of Federal tax dollars for the benefit of a few whose future power supply is not the responsibility of the Federal Government.

In addition, the use of Federal funds on this project is not justified in the face of higher priority water conservation needs. These needs involve irrigation, navigation, and flood control.

The power needs in the Burns Creek area can be met fully by the local private utility, thus saving a Federal investment of nearly $45 million in the Burns Creek project.

The bill states that the purpose of this project is to assist in irrigation, provide facilities for river regulation, control floods, to utilize the hydroelectric power opportunities, and provide for conservation and development of fish and wildlife.

Yet, testimony before both the Senate and House committees in the 86th Congress on S. 281 stated that no new land would be brought under cultivation from waters stored in the Burns Creek Reservoir; that the reserve supply of water held by the reservoir would only be needed two or three times in a 50-year period; that no flood control features are planned in the Burns Creek project; and there are no fish and wildlife benefits in the project.

Other witnesses have indicated that if reregulating the surge of water released from the upstream Palisades hydropower operations is necessary, a smaller, less costly structure than the proposed Burns Creek Dam could provide it. These same witnesses added that if reregulation were to be needed below the 114,000-kilowatt Palisades Dam, reregulation would also be needed below the 90,000-kilowatt Burns Creek Dam.

From the testimony and evidence supplied by the Department of the Interior of the total construction cost of the Burns Creek project, more than 98 percent would be allocated to power facilities, and less than 2 percent to irrigation.

The Burns Creek power project is designed primarily to provide additional electricity to a small number of Federal preference customers in the area. Most of these customers are already receiving Federal power from Palisades Dam. It is not surprising that purchasers of low-priced Federal power, subsidized by taxpayers generally, want more at similar low prices regardless of whether the particular project is economically justified and in the national interest.

The project is not needed for power supply. The local investor-owned utility company stated in testimony in the Senate and House hearings, during the 86th Congress, that it is able and willing to meet all requirements for power supply in the area. In addition, the continued development of the investor-owned power facilities would substantially increase the local tax base.

The basic issue involved in the proposed Burns Creek authorization is not one of merely meeting a need for power supply, but is one of Federal assumption of a permanent responsibility to supply subsidized power to a selected area and a special group of customers.

It is not a proper and necessary function of the Federal Government to agree to furnish complete utility service to local power users, even though they may be already receiving Federal power.

Cordially yours,

CLARENCE R. MILES,
*Manager, Legislative Department.*

Senator CHURCH. The next is a statement of Arthur Biggs, secretary-treasurer of District 22 of the United Mine Workers of America in opposition to the project.

(The statement referred to follows:)

STATEMENT OF ARTHUR BIGGS, SECRETARY-TREASURER, DISTRICT 22, UNITED MINE WORKERS OF AMERICA

My name is Arthur Biggs. I am secretary-treasurer of District 22 of the United Mine Workers of America in Utah and Wyoming. I represent 2,632 coal miners—all we have left of the almost 7,000 miners we had 10 years ago. In behalf of these miners, I wish to oppose the Burns Creek project being considered by your committee.

The Burns Creek hydroelectric project as proposed will include a 90,000-kilowatt hydroelectric plant which will generate an estimated 500 million kilowatt-hours per year. If these 500 million kilowatt-hours were supplied by a steam-electric plant burning coal it would consume about 250,000 tons of coal per year. To mine this amount of coal would require about 20,000 man-shifts of coal-miner labor. It would bring to our area about one-half million dollars in annual miners' wages.

The coal miners are in desperate need of this additional coal-mining business. In recent years, the coal miners have experienced a sharp curtailment in work which has created considerable unemployment resulting in many hardship cases and causing much suffering and misery. This has had a terriffic impact upon our economy in the coal-mining communities in both States. Some of our towns have already become ghost towns, and we should not allow the other communities to disintegrate into social and economic stagnation.

The Utah Power & Light Co. has under construction a 150,000-kilowatt steam-electric plant near Kemmerer in western Wyoming. This plant, which will burn coal exclusively, has already been postponed because of surplus hydroelectric power being available in the area. We have protested the construction of the Burns Creek project because it is a further threat to the Kemmerer plant and our coal-mining livelihood.

The Senate committee in the 86th Congress recognized this threat and attempted to correct it by adding an amendment to Senate bill 281 providing that the Burns Creek generating units would not be installed until the preferred customers needed the power.

The amendment, however, completely fails to protect our interests by merely delaying some of the Burns Creek units. This amendment ignores the fact that if the Government did not assume the continuing responsibility to supply these preferred customers electric power requirements by building hydroelectric plants, these same preferred customers would be obliged to buy their additional requirements from the power companies rather than from the Government.

The use of cheap natural gas and oil in the homes and industry and the use of the diesel engines by the railroad has already seriously affected the coal miner. Please do not further hurt us by giving us further competition by building the Burns Creek hydroelectric plant, which I am told would not put any new land under cultivation. We coal miners are not against Government irrigation projects, but I am informed Burns Creek is not for irrigation but is almost exclusively a power project.

Coal is a vital commodity in time of emergency. If projects such as Burns Creek are allowed to reduce our employment and drive the coal miners into another employment during normal times, who is going to mine the coal during times of emergency?

Our employment is mostly seasonal. We have peak employment in the winter and fall. Our minimum employment is in the summertime.

Mining coal for the production of electricity is a fairly constant year-round operation, and therefore, very beneficial to the coal miners.

We are not asking you to spend Government money to aid the coal miners in district 22. All we are asking you is that you do not authorize a $48 million Government hydroelectric plant which would dilute the coal consumption by 250,000 tons per year in our area and do away with 20,000 man-shifts per year of potential work for our coal miners.

The mineworkers do not think we should have to have tax deductions from our paychecks each period to help pay for a hydroelectric powerplant which will directly compete with us.

This is very unfair, because I understand that the Burns Creek electricity would be sold to only a very few preferred customers who are very much better off financially than we are.

We earnestly ask you, therefore, to vote against this Burns Creek project.

Senator CHURCH. The next is a statement addressed to the Idaho congressional delegation and signed by the officers of the Milner Low Lift Irrigation District in southern Idaho in support of the project.

(The statement referred to follows:)

STATEMENT OF THE MILNER LOW LIFT IRRIGATION DISTRCT

*To the Honorable Henry W. Dworshak, the Honorable Frank Church, the Honorable Gracie Pfost, the Honorable Ralph Harding, Idaho's delegates in the U.S. Congress:*

The undersigned, directors of the Milner Low Lift Irrigation District located at Murtaugh, Idaho, with irrigated lands in the counties of Cassia and Twins Falls, respectfully request you, and each of you, to use your efforts to secure the enactment of legislation by the Congress for the authorization and construction of the Burns Creek project on the South Fork of the Snake River with a total storage capacity of 234,000 acre-feet.

The Milner Low Lift Irrigation District is vitally interested in this project. Our district has 13,468 acres in the district dependent on water from the Snake River. We have 1,600 acres in the district that could be irrigated if there was sufficient water. Our district made application for space in Palisades Dam and Reservoir but did not succeed in supplying sufficient water to irrigate all the lands in our district.

Our district has made application for water in Burns Creek Dam and Reservoir, and our district has looked forward to the day when water could be supplied to us from Burns Creek Dam. The landowners in our irrigation district raise potatoes, beans, sugar beets, hay, and some grain. However, the amount of grain raised in our district will not substantially increase the surplus of grain.

Respectfully submitted.

MILNER LOW LIFT IRRIGATION DISTRICT.
By JULIUS E. NEUMANN,
MAX BOLEY,
ERWINN E. BRUNE,
*Directors.*

Senator CHURCH. And I have received several telegrams today: One is from the Rigby Chamber of Commerce in Rigby, Idaho, in support of the project.

(The telegram referred to follows:

RIGBY, IDAHO, *March 14, 1961.*

Hon. FRANK CHURCH,
*U.S. Senate, Washington, D.C.:*

Report that Rigby Chamber of Commerce and city of Rigby are in support of Burns Creek Dam project.

RIGBY CHAMBER OF COMMERCE.

Senator CHURCH. One is from Mrs. Faye Lewis, secretary for the Idaho Falls Central Labor Council, in support of the project.

(The telegram referred to follows:)

IDAHO FALLS, IDAHO, *March 14, 1961.*

Senator FRANK CHURCH,
*Washington, D.C.:*

The Idaho Falls Central Labor Council passed a resolution urging passage of authorization for Burns Creek project. Extremely dry year of 1960 makes us see more clearly the necessity of said project. Also the employment situation in eastern Idaho has been very grave, and such a project would help to alleviate same.

MRS. FAYE LEWIS, *Secretary.*

Senator CHURCH. And finally a telegram which we have received from the Carbon County Commissioners of Carbon County in the State of Utah, and from Mr. Chris P. Jouflas, mayor of Price City, in opposition to the project.

(The telegram referred to follows:)

PRICE, UTAH, *March 15, 1961.*

RICHARD L. CALLAGHAN.,
*Staff Director, Committee on Interior and Insular Affairs,*
*Senate Office Building, Washington, D.C.:*

Wish to oppose S. 66 authorizing construction Burns Creek project. We protest this project as being uneconomical to build as not being a true reclamation project and above normal cost per installed kilowatt-hour. Project would be detrimental to coal industry and the economy of area dependent on coal in Utah, Idaho, and Wyoming. Request committee to grant permisison for us to enter statement in record that will be received by you before end of week.

CARBON COUNTY COMMISSIONERS.
HELPER CITY COUNCIL,
PRICE CITY COUNCIL.

(The following statement was subsequently received:)

JOINT STATEMENT OF CABBON COUNTY UTAH COMMISSION, PRICE, UTAH, MUNICIPAL CORP., AND HELPER, UTAH, MUNICIPAL CORP., OPPOSING BURNS CREEK PROJECT, S. 66

Mr. Chairman and members of the committee, this is our formal statement with regard to our opposing S. 66, authorizing the construction of a hydroelectric powerplant, known as the Burns Creek project on the Snake River in the State of Idaho.

We represent the bulk of the population of Carbon County, Utah, as elected officials and feel that it is our duty to oppose this project and represent our people in doing so.

The Carbon County Commission and Price and Helper cities were represented in person by the mayor of Price and Mr. John Bene before the House subcommittee in February 1960, when hearings were held on S. 281, which also sought to authorize the Burns Creek project. A statement was presented and entered into the records of those hearings and may be referred to by your committee.

Carbon County is a coal-producing area and produces the largest amount of coal west of the Mississippi, and has a vital stake in seeing that the already depressed coal industry can continue to serve its present markets and keep the coal miners of this area at work and at as full a level of employment as is possible.

A review of the principal coal users and customers of the coal industry reveals that the electric industry in 1960 uesd 176.1 million tons of coal as compared to the next larger user, which was the steel industry of 99 million tons of coal.

Therefore, you can see why we seek to intervene in hearings that create projects that would have an adverse effect on the electric industry, and consequently the coal industry.

We have had the experience in Carbon County of having an electric industry locate in the area in a mine mouth operation when the Utah Power and Light Co. constructed its Carbon steam plant, having a capacity of 177,000 kilowatts.

It is interesting to note that the power company has given us an added payroll of $280,260 annually and have become the largest single taxpayer in the county, paying taxes on aproximately $390,000. In addition to this, they have given us a daily production of 1,800 tons of coal and have stabilized the commercial coal mines in Carbon County.

An additional byproduct of this amount of coal is that the United Mine Workers of America received $260,000 annually, represented by coal royalties paid into their health, welfare, and retirement fund. It is also interesting to note that, as a result of continued steady employment, supplementary jobs in various services have been created and represent about 160,000 in payrolls annually.

Our examination of the Burns Creek plan indicates to us that this project is not a reclamation project that is compatable with the policies of the Bureau of Reclamation and that in fact the authorization of the project would seriously

jeopardize the longstanding and well-established policies of the Bureau for western reclamation projects. We do not feel that this policy should be abused in any manner, shape or form. We further feel that the costs of this project on an installed kilowatt-hour basis is extremely high and many times over the normal industry-computed costs and other costs that have been established by the Bureau in similar combination power and reclamation projects. We definitely feel that the money, if available, could be spent to much better advantage in other fields of endeavor and sincerely propose to you that the coal industry itself would be a place to institute and continue more strenuous, aggressive, and adequate research.

We feel that our Federal Government should not enter into a field of private enterprise that will impair the lives of people; we do not feel that the Federal Government should enter into any activity that will penalize any persons from following the pursuit of happiness in their employment; we do not think it is fair for our Federal Government to compete with us in our economy with our own money and in effect destroy ourselves.

We do feel that there are many other pure reclamation projects that deserve consideration in the West long before the Burns Creek project.

We do feel that in the growing West that private enterprise should be given the opportunity to meet the challenge of expanding facilities before any other course is considered or acted upon.

We know of the present plans of the Utah Power and Light Co. to build steam electric plants in the Kemmerer, Wyo. area. We wish we could have the added investment in our county but we know the Kemmerer area needs this improvement. It is a depressed area just as we are and our experience as related to you is an outstanding example of what can happen in Kemmerer and will happen in Kemmerer if private enterprise is permitted to proceed with their plans and programs in an orderly fashion. Investments of private utilities do not cost—they pay—they pay in terms of payrolls, taxes, and production of our natural resources. And they pay in terms of people. We sincerely urge that you do not approve the Burns Creek project.

Senator CHURCH. Then we have several letters that will be included in the record.

One is from G. V. Williamson of St. Louis, Mo., in opposition to the project.

(The letter referred to follows:)

ST. LOUIS, MO., *March 14, 1961.*

Re Burns Creek project, S. 66.

HON. CLINTON P. ANDERSON,
*Chairman, Interior and Insular Affairs,*
*U.S. Senate, Washington, D.C.*

DEAR SENATOR ANDERSON: I note that the Burns Creek project in Idaho has been revived, and another attempt will be made to saddle this ill-conceived scheme on the backs of the American taxpayers to the tune of $50 million.

Since 98 percent of this project is planned for the production of electric power, the total annual revenue of $1,125,000 falls short by $311,000 of meeting the annual interest of $1,436,000, computed at the unrealistic rate of 3 percent with absolutely no possibility of refunding the original cost.

This investment will produce no tax revenue and is planned for an area where electric power is already plentiful to serve present and future needs and is generated by "tax-paying" investor-owned electric utilities.

I urge you to work and vote against this bureaucratic pork-barrel scheme which will squander the tax dollar on a plan that cannot be economically or morally justified when money is so urgently needed for defense and "space" work.

Reckless squandering of our tax dollar is just one of those "things" by which Mr. Khrushchev has indicated that he can eventually "bury" us, and time is surely on his side unless we can a halt.

Very truly yours,

G. V. WILLIAMSON

Senator CHURCH. Then there is one from Dr. O. D. Hoffman, of Rexburg, Idaho, in opposition to the Burns Creek project.

(The letter referred to follows:)

REXBURG, IDAHO, *March 11, 1961.*

Hon. CLINTON P. ANDERSON,
*Chairman, Senate Committee on Interior and Insular Affairs,*
*Senate Office Building, Washington, D.C.*

DEAR SENATOR ANDERSON: We, the people of southeastern Idaho, have had and still have a very objectionable political football being thrown over our heads—the Burns Creek project.

I have objected to our Senators Dworshak and Church and to our Representative Harding personally, but they are so inordinately desirous of trying not to make any enemies or lose any votes on this obnoxious project, that I am writing to you. Perhaps you can help us defeat Senate bill 66.

I have practiced medicine for 23 years—all in this locality. My favorite hobby is fishing, and the only practical thing about Burns Creek is that it is another fishing pond for me—built at great cost from depleted taxpayers' pockets. Knowing the territory and where it will be built and from studying the Bureau of Reclamation map, it appears to me that it will cover more acreage now being used for ranching than it will add to cultivation of new irrigation projects.

Driving past the Palisade Dam a few miles upstream from the proposed site of the Burns Creek project, it appeared that more water was activating the turbines than the Snake River at the upper end was spilling into a dangerously low reservoir. Perhaps the city of Idaho Falls needs more power, but I do not believe that we, the taxpayers, should pay for a few individuals' municipal power when other power is available at comparative or cheaper costs to the taxpayer. To me, Burns Creek is another powerplant for the city of Idaho Falls.

I am not against all Government projects. I know there is one being considered on the lower Teton River called the Fremont project that would not only be a water storage and power dam, but one that would put a dam on a river that there is now no project on. The Fremont project would store water, make water available to land that now has no irrigation, save water for a badly needed area, the Teton Basin, and probably create for me another fishing hole.

Any help in defeating the Senate bill 66, and further consideration in the making of moneys available for the Fremont project, which I believe to be of much greater value to this area, would be appreciated.

Very truly yours,

O. D. HOFFMAN, M.D.

Senator CHURCH. And one from the International Brotherhood of Electrical Workers, Local Union No. 47, of South San Gabriel, Calif., in opposition to the project.

(The letter referred to follows:)

INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS,
LOCAL UNION NO. 47,
*South San Gabriel, Calif., March 9, 1961.*

Hon. CLINTON P. ANDERSON,
*Senate Office Building,*
*Washington, D.C.*

DEAR SENATOR: On behalf of the 3,000 members of Local Union 47 of the International Brotherhood of Electrical Workers, we wish to express our opinion that the Burns Creek project should be rejected. While our members work in an area quite removed from the property immediately affected by Burns Creek, we believe that the principles involved are of direct concern to us.

We have studied the reports on Burns Creek and while it is purportedly a reclamation project, it is in reality an uneconomical power project. It is our belief that the approximately $50 million that the project will cost could be used to greater advantage on a real reclamation program. Burns Creek project will not add a firm water supply and does little for river reregulation and should be rejected.

Our 3,000 members are employed by an investor-owned utility and are opposed to projects whose real purpose is to develop hydroelectric power that will be distributed by public agencies. This project is one more uneconomical power development in an area that has available power and is a threat to the well-being of the members in the utility industry. While we could make strong arguments against the economy of the project or the long-range threat to private industry, our principal concern is with the immediate harm it does to the men and women who work in the electric power industry.

Our members have developed contracts with the investor-owned utilities because they have rights under the law. These rights—to join a union, engage in collective bargaining, and to have a signed contract—are immediately lost when public agencies move into the electric power industry. Not only do the employees lose the right to collective bargaining but, all too often, they may encounter aggressive antiunionism. In considering such projects as Burns Creek, you must consider the harm you are doing to the workers in the industry.

The contract and the right to collective bargaining are important because they have meant development of good wages, fringe benefits, pension programs, and grievance procedures. That we have reason to fear that such benefits may be lost is understandable when one looks at the record and sees few employees of publicly owned electric utilities have unions, how few have written contracts, and how much lower the wage rates are in the publicly owned utilities.

Our members are interested in reclamation but, we submit, the program should be an honest reclamation program. It should not merely be an effort to develop a source of cheap power for a few preferred customers at the expense of the rest of the people.

We believe that in considering Burns Creek and any other unworthy project, you must consider the harm that will be done to the people who work in the electric power industry because they too are citizens. If you consider their rights, you will do what you can to reject the Burns Creek project.

Sincerely yours,

A. J. COUGHLIN, *Business Manager.*

Senator CHURCH. And one from the Burley Chamber of Commerce, Burley, Idaho, signed by Charles J. Hendricks, president, in favor of the project.

(The letter referred to follows:)

BURLEY, IDAHO, *March 10, 1961.*

*To Whom It May Concern:*

We urge the passage of the Burns Creek Dam by reason of growth in this area in the immediate past and of potential growth of the near future, from the standpoint of power and irrigation in a fast growing industrial and agricultural center.

Both power and irrigation facilities are urgently needed inasmuch as the Minidoka-Cassia area depends upon public power.

Due to severe drought facing this southern Idaho area this summer, we urge that haste be made in passing this vital issue, so that water storage can be assured in the future if such drought occurs.

Sincerely,

CHARLES J. HENDRICKS,
*President, Burley Chamber of Commerce.*

Senator CHURCH. From time to time, as we have other statements submitted, we will include them in the record, with the understanding that they will then appear at appropriate places when the record is finally compiled.

I think, in view of the fact that we have so many witnesses to hear, we should proceed. I am certain that my colleague, Senator Dworshak, will be here very shortly, and other members of the committee will appear soon.

Now, I would be hopeful that wherever it is possible, the witnesses today would submit their written statements for the record and summarize the statements orally for the committee, in an effort to save time, so that if it is at all possible we can complete the hearing today.

When we recessed this morning, we were on the subject of a letter that the committee received from Secretary Holum, the Assistant Secretary of the Interior. And I think the importance of this letter is such that I ought to read it into the record. It reads as follows:

DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
*Washington, D.C., March 15, 1961.*

HON. CLINTON P. ANDERSON,
*Chairman, Interior and Insular Affairs Committee,*
*U.S. Senate, Washington, D.C.*

DEAR MR. CHAIRMAN: It is the desire of the Department of the Interior to remove any possible question as to the Department's view with respect to Gray's Lake wildlife facilities in relation to the Burns Creek legislation now pending before your committee.

It is the position of this Department that none of the pending bills nor amendments proposed by this Department would authorize the undertaking of any Gray's Lake wildlife developments. It is the further position of this Department that such development could be undertaken only upon the passage by the Congress of other legislation authorizing such development. To reiterate, the Burns Creek legislation does not, in our view, comprehend such authorization.

Sincerely yours,

KENNETH HOLUM,
*Assistant Secretary of the Interior.*

Now, we have a group of citizens from Idaho who are deeply concerned about the question of Gray's Lake, and here is their spokesman, a very prominent Idaho attorney, Judge Baum.

Judge, we are delighted to have you here. I understand that Mr. J. C. Smith and Mr. Loren Hogan and Mr. Max Wilker and Mr. John Sanborn comprise the members of the group. And I wonder if these gentlemen might stand, so that they can be recognized by the committee.

Mr. BAUM. And Dr. Evan Kackley, also.

Senator CHURCH. Yes, Dr. Kackley.

Judge Baum, we are very pleased to hear from you at this time.

## STATEMENT OF O. R. BAUM, LAWYER, POCATELLO, IDAHO

Mr. BAUM. Senator Church, of Idaho, as you know, my name is O. R. Baum, and I maintain law offices at Pocatello, Idaho. In my party are Loren Hogan, J. C. Smith, John Sanborn, Max Wilker, Dr. Evan M. Kackley. These gentlemen represent one or more of the following associations or organizations: Eastern Idaho Grazing Association, Idaho Citizens Grazing Association, Gentile Valley Land Cattle Co., Idaho Wool Growers, Idaho State Cattlemen's Association, Gray's Lake Citizens Committee, Idaho Farm Bureau.

And I am, in view of certain information that we have obtained since arriving in Washington, D.C., speaking on behalf of each of the above gentlemen and as their spokesman.

Senate bill 66 is identical to Senate bill 281, passed by the Senate last session.

House bill 1235 likewise was almost identical in the first instance to Senate bill 281. During a hearing in the year 1960 before a subcommittee of the House, certain amendments were approved.

Among the amendments was one relating to a restriction inhibiting the subcommittee of the Interior, unless specifically authorized by Congress, from creating a Gray's Lake Wildlife Management Area.

The bill with reported amendments failed to obtain the committee's approval.

House bill 378 this year was introduced by Representative Harding. House bill 36 was introduced by Representative Pfost.

The latter bill carried an amendment identical to the one proposed by Representative Pfost in the 86th Congress. A hearing will be held tomorrow on each of these bills.

A meeting in the Office of the Commissioner of Reclamation yesterday resulted in an understanding as to what was intended and as to what the Secretary of the Interior, or rather the appropriate department or division of such office, contemplated doing, and likewise what could or could not be done under the terms of Senate bill 66.

That the development referred to and the authority conferred upon the Secretary did not authorize the construction of or the development of a wildlife management area at Gray's Lake; and that none of the moneys appropriated for the Burns Creek development could or would be used for such purpose.

A letter was written which, Senator Church, you have just read, which outlined the views of the Department. And owing to the letter and the understanding had, a hearing, insofar as the people that I represent were protesting, was obviated, and my clients are now satisfied that the bill may go forward.

They likewise have instructed me that they realize that the Burns Creek project is a worthwhile project, and they have directed me to advise you, and likewise to advise the Subcommittee on Irrigation and Reclamation, that the bill as drafted receives their blessing.

Likewise, Mr. Chairman, this morning, in a telephone conversation with Ben W. Davis, who you well know, and who is an outstanding lawyer in Pocatello, Idaho, and also who is the counsel for the Bannock-Shoshone Tribe of Indians, he stated that he had forwarded, and which you and other people will receive tomorrow, a protest to say to you that in view of the understanding had in the Commissioner's office as of yesterday, and in view of the letter which I read to Mr. Davis, he was sorry he put you or the committee to any trouble, and that the objections, as lodged, could be ignored, in view of the fact that the Gray's Lake area would not be molested and the storage waters would not be displaced.

I thank you, Senator Church and members of the committee.

Senator CHURCH. Mr. Baum, I want to thank you for coming, and I want to commend the group that you represent for the cooperative support that they have shown and for the general support they have given to the Burns Creek project.

I think that the letter makes it perfectly plain that no provision in the bill authorizes the transfer of any Burns Creek water to the Gray's Lake area.

Mr. BAUM. I might say I think that is true, Senator Church. We are very pleased with the manner in which we have been treated, and the courtesy that you have extended to us, in permitting us to testify and to go home.

Senator CHURCH. Thank you very much, Judge Baum.

Mr. BAUM. Now, there is one other matter, Senator Church.

Mr. McBroom, of the Wildlife Division of the Fish and Game Service will, upon a question being submitted to him, advise the committee as to the position of his Service in reference to Gray's Lake.

Senator CHURCH. I think we should have that on the record. And for that reason, I am going to call Mr. McBroom. But before I do so, we will have Mr. John Sanborn.

Mr. Sanborn was formerly a Member of the Congress, and one of the outstanding citizens of our State, and we are honored to have him here today, and we welcome a statement from him if he would care to make one.

## STATEMENT OF JOHN SANBORN, HAGERMAN, IDAHO, REPRESENTING THE IDAHO FARM BUREAU FEDERATION

Mr. SANBORN. Mr. Chairman and members of the committee, I am John Sanborn, representing the Idaho Farm Bureau Federation. The Idaho Farm Bureau Federation is the largest farm organization in the State of Idaho.

The Idaho Farm Bureau Federation is on record as approving the Burns Creek project. It recognizes the need of such a dam to allow full production of power at the Palisades Dam and at the same time protect the canal systems farther down the Snake River from heavy and continuing damage, which otherwise would be caused by the fluctuating surges of uneven releases of water through the Palisades powerplant, if maximum effort was made to meet peaking loads.

It feels that even 100,000 acre-feet of water is a precious thing if it is standing by, ready to save hundreds of farmers in a drought emergency by adding a little to the shrinking water supply of each. And that is what this storage is intended for.

People everywhere are realizing more and more the importance of water; but in the Snake River Valley it is life itself. It is the magic wand that transforms unproductive desert land into marvelous farms and attractive homes. In many ways the Snake River country is blessed with a wonderful supply of water; but, even there, it must be developed and impounded and put to beneficial use before its value can be realized.

This year, southern Idaho is facing drought conditions. If Burns Creek water were available, this year, its value would be hard to estimate.

In the interest of time, Mr. Chairman, I will refrain from going into many other beneficial aspects of this project. Other witnesses are bringing out the recreational features of the reservoir, which are considerable. They are pointing out the aid the power will be for irrigation pumping; and pumping has developed into a major source of irrigation water.

On behalf of the Idaho Farm Bureau Federation and of myself, I do thank you for this opportunity to appear here in behalf of the Burns Creek project.

Senator CHURCH. Mr. Sanborn, I thank you for coming, and I appreciate the position taken by the Farm Bureau Federation, which I think is the largest farm organization in the State of Idaho.

Mr. SANBORN. That is true.

Senator CHURCH. And certainly is well entitled to speak for a great many Idaho farmers. I appreciate your coming.

Now, in order that the question relating to Gray's Lake may be completed, I would like at this time to call Mr. James T. McBroom. Mr. McBroom?

I have been asked to submit a question to you for purposes of thoroughly clarifying the position taken by your agency, and the question that I have been asked to put to you is as follows: Does the U.S. Wildlife Service contemplate, or will such Service request the inclusion of, or maintain, that the development referred to in the various bills known as the Burns Creek bills, which relate to the construction of or the operation of or the using of any facilities for a wildlife management area at Gray's Lake, Idaho, as coming within the development referred to in such bills?

Mr. MCBROOM. Mr. Chairman, I am glad to answer that with an unqualified "No," and to add that we have discussed that with this group, and I think we are in full accord on that understanding of this bill.

Senator CHURCH. I think that makes the position of the executive department very clear and makes the legislative record very clear.

It is our understanding, then, that if any diversion at any future time is to be made to Gray's Lake, it would require further congressional action?

Mr. MCBROOM. That is right, sir. And I might add that it is my hope that these folks from Gray's Lake and our Service can get together and work out a plan and come back with an entirely separate proposal for the Congress to consider. But it will be unrelated to this legislation.

Senator CHURCH. That will be a most happy event, Walt. I hope that you will be able to work it out.

Mr. BAUM. And we have had fine cooperation from the Fish and Wildlife Service, and I understand what Mr. McBroom means. And I want to assure you and also his Department that we will be glad to discuss these matters with them. And we trust that while we always love to come to Washington, we will not have to come back while a bill is pending, and that the next time we come back we will have one, where we will be unified in the matter.

Senator CHURCH. Thank you very much, Judge Baum. I join you in that hope.

Turning back now to the list of witnesses in the sequence that the committee arranged for, I find Mr. William N. White's name here. Mr. White is chief of river basin studies for sport fisheries and wildlife.

Did Mr. White intend to give any additional testimony?

Mr. MCBROOM. No, sir; he came here with me.

Senator CHURCH. I thought that was the case, but I wanted to make sure.

Mr. MCBROOM. He came here to testify on the project, and if any further testimony is desired, he will be glad to give it. If not, I think we have done our part.

Senator CHURCH. Thank you very much, gentlemen, for coming.

We have with the group of Idahoans here today two mayors. And I think it would be appropriate to call upon them first, in view of the public offices that they hold.

I woul like first to call upon Mayor J. L. Salmon, mayor of Burley, to come forward.

And I express on behalf of the committee a cordial welcome to you, Mayor Salmon.

## STATEMENT OF J. L. SALMON, MAYOR OF CITY OF BURLEY, IDAHO

Mr. SALMON. Thank you very much, Senator Church.

And I want to say at this point I consider it a distinct honor and a real pleasure to be privileged to come here and testify in behalf of Burns Creek.

Senator CHURCH. Thank you. Just be seated and proceed as you care to.

Mr. SALMON. The city of Burley is located on the south bank of the Snake River in the south central part of the State of Idaho, in Cassia County, with a population of approximately 8,000 people, and is the center for trade purposes of approximately 30,000 people. It is approximately equal distance between Salt Lake City and Boise, and is at the junction of the two new proposed transcontinental highways, one coming north from Salt Lake City and the other coming west from Pocatello. The city of Burley is one of the many municipalities which buys electricity directly from the Federal Government in Idaho.

Burley continues to enjoy industrial growth. In addition to the corrugated paper container plant, which has doubled its capacity in the past 2 years, here is Shelly processing plant, which processes potatoes and has made three major additions to the plant in the past 3 years. We also have near Burley the Idaho potato processors, Ore-Ida potato processing plant, Atlantic and Pacific, and Western Refrigeration, which are all substantially completed and in operation. This is not considered boom growth, but is steady, natural, healthy growth of the city. With these new plants being established, new housing and new retail businesses are being established within the city to accommodate the increase in population. Burley is also dependent directly, or indirectly, on the vast agricultural development which is now taking place on both sides of the Snake River in Cassia as well as Minidoka County.

Since I last appeared before this committee, Burley has annexed 350 acres of land for residential purposes, and during the past year, a new three-quarters-of-a-million-dollar hospital has been completed and is now in operation. A one-half-million-dollar new elementary school has been completed and is being used, and a $65,000 library is now in operation. These are facts, things that have actually happened in Burley, and the growth in the future is just as bright. This means, of course, that if Burley is to continue to grow and to serve the people, it must also have an adequate source of electricity to take care of the influx of population and the new industries wishing to be established here.

At the present time our new contract with the Bureau provides a maximum of 7,200 kilowatts demand in the summer and 9,300 kilowatts in the winter. In 1959, our power use was 6,608 kilowatts, in

1960 it was 7,268, and in 1961 the estimated kilowatts will be 8,067. This rate denotes a fairly consistent 11 percent increase. To meet this growth, it is absolutely necessary that the city of Burley have a firm power supply, rather than interruptible or peaking power. The Bureau of Reclamation informs us that at the present time all the available power which they have for sale, on a firm basis, has been contracted for, and that they have none left to meet future growth in this area. The present existing plant at Palisades furnishes only summertime power to this area, and the need is now for the development of prime power for our use during the entire year. All the prime power that would be developed at the new Burns Creek project could be used by the preference customers now using Government-produced power and would not in any way infringe upon the territory now served by the private utilities in the adjacent areas.

The new Burns Creek project is truly multipurpose. Irrigation and water is the lifeblood of Idaho, but not all water comes from the Snake River in our area. Presently, there is more water being pumped from deep wells to irrigate land in Cassia and Minidoka Counties than is being diverted from the Snake River through Milner and Minidoka Dams. An economic pumping unit is only possible through low-cost power, and the new reregulation dam at Burns Creek will add tremendously to the power source for the future development of irrigation from subterranean water in our area. Furthermore, the power generated at the Government plants in Idaho is used to pump the water that is actually diverted from the Snake River. At Minidoka Dam it is necessary to lift the water 90 feet in order to irrigate some 40,000 acres on the south side, and at Milner Dam it is necessary to pump water to irrigate both the north and south side. The only gravity diversion from the two dams is on the north side in the Rupert area; therefore, power is essentially for the developing of the irrigation potential of the West. This power will certainly serve irrigation just as well as the additional storage afforded in the reservoir above the Burns Creek Dam.

The information given on charts previously presented in testimony before this committee have proven themselves substantially correct for 1958, 1959, and 1960; and we expect future years to show the same trend. From this, one can readily see that there is a growing power need for the city of Burley in the not-too-distant future, probably before Burns Creek is built, provided the same was started this summer. It appears to me, as mayor of the city of Burley, that our only adequate and economical source of power for distribution in our area is from the Federal Government. And for them to be able to supply the added power, it is absolutely essential that Burns Creek project be approved and started immediately.

It is significant to note that Minidoka Dam and the powerplant which was built in the early 1900's from Federal funds has been completely paid out, and the dam and powerplant are now self-supporting. The Federal Government has been completely reimbursed, and the same could be true of Burns Creek or Palisades so that in the long run we are not asking for any Federal grants, rather a loan which the user in this area could repay to the Federal Government with interest provided the project is built.

No project in Idaho, to my knowledge, has received more widespread support from all interested parties within the State than the Burns Creek Reregulatory Dam. It is difficult for me to understand why the people of Idaho should be continually deprived of the benefits this worthwhile project would provide.

We respectfully urge that this committee approve the Burns Creek project and recommend to Congress that the same be passed and appropriations made that the project may be commenced immediately.

Senator CHURCH. Mayor Salmon, I appreciate your statement very much, and I want to tell you that I certainly concur in your observation that few, if any, dam projects have ever enjoyed such widespread support from all groups in Idaho as this project has enjoyed.

The city of Burley has a municipal power system, does it not?

Mr. SALMON. Yes, sir.

Senator CHURCH. And you have had that system for a long period of time, have you not?

Mr. SALMON. We have had that system since the beginning of the village of Burley, 55 years or more.

Senator CHURCH. And for many, many years you have been buying power as a preference customer under the law from the Bureau of Reclamation. Is that not right?

Mr. SALMON. Yes, sir.

Senator CHURCH. And Burley is growing, and it has need for additional power?

Mr. SALMON. That is right.

Senator CHURCH. Which you would obtain from the Burns Creek project if this project were to be authorized and built?

Mr. SALMON. Yes, sir.

Senator CHURCH. Now, are you familiar, Mayor, with the reservation that was written into the bill the last time it was before the Senate, that I worked out with Senator O'Mahoney of Wyoming, to the effect that generators at the Burns Creek project could not be installed unless there was an established market for the electricity that they would produce? That is to say, we provided in the bill that generators would be installed only as a demonstrable market existed?

Mr. SALMON. Yes, sir.

Senator CHURCH. You are familiar with that?

Mr. SALMON. Fairly familiar with it; yes, sir.

Senator CHURCH. Well, I mention that only to underline a statement that you have made, that the Burns Creek project will not furnish electricity to customers who are now purchasing their electricity from any of the private utilities.

We wanted to make certain that the Burns Creek project might not furnish power in excess of the needs of the preference customers, in order that it might not invade the established markets of the private utilities in any conceivable way. For that purpose, we worked out the amendment to the bill that was known as the Church-O'Mahoney amendment.

I think that it is important for us to make that clear in the record.

Mr. SALMON. Yes, sir.

Senator CHURCH. Burns Creek cannot, under the bill before us, constitute any threat to the established markets of the private utilities companies.

The amendment I have referred to reads as follows:

Installation of power generating facilities shall be scheduled by the Secretary on the basis of providing for the additional power requirements of those entitled to preference in the purchase thereof under the Federal reclamation laws.

I think there ought not to be any misunderstanding on that point.

Mr. SALMON. Yes, sir.

Senator CHURCH. Burns Creek is not going to invade the established markets of private utilities in any way.

Mr. SALMON. That was the understanding we had, sir.

Senator CHURCH. Burley has long been a customer of the power generated at the Bureau plants, and you have had a municipal system since the inception of Burley, and all you are asking for is an opportunity to continue in business?

Mr. SALMON. In the beginning, sir, no private power company felt that it was feasible to supply the village, which it was at that time, with electricity, and so the city fathers decided to have a municipal system, and it has been purchasing power through the Bureau of Reclamation for more than 55 years.

Senator CHURCH. Thank you very much, Mayor.

Our next witness is Mayor W. J. O'Bryant, mayor of Idaho Falls.

We are very pleased to welcome you to the committee today, Mayor O'Bryant.

## STATEMENT OF W. J. O'BRYANT, MAYOR, CITY OF IDAHO FALLS, IDAHO

Mr. O'BRYANT. Senator Church and members of the committee, it is certainly a privilege for me to come here and appear before you today, and I would like to ask as a special favor that our city electrical engineer, Mr. Hal Davis, be permitted to accompany me here.

Senator CHURCH. Permission is granted. We are pleased to have him.

Mr. O'BRYANT. My written statement is rather brief, and I believe that I can read it probably in less time than it would take me to comment on it, so I will proceed.

Senator CHURCH. Very well, Mayor.

Mr. O'BRYANT. My name is William J. O'Bryant. For the last 2 years I have served as mayor of the city of Idaho Falls, Idaho, the second largest city in the State. Idaho Falls is the county seat of Booneville County and is situated on the Snake River about 25 miles downstream from the proposed Burns Creek Reservoir site.

Having been closely affiliated with an agricultural industry in the upper Snake River Valley for a 12-year period preceding my city employment, I am familiar with the need for supplemental water storage for irrigation purposes. Drought cycles have existed in the past and unless the trend changes radically, and soon, the 1961 season may well be one in which difference of 100,000 acre-feet of stored water could mean the difference between a harvest or a crop failure in some areas. The fact that the space in Palisades Reservoir was oversubscribed by 21 percent, and the proposed Burns Creek Reservoir was oversubscribed by upwards of 50 percent, is ample evidence of the need for the extra water which would be impounded at Burns Creek Reservoir.

Aside from the Atomic Energy Commission, the city of Idaho Falls depends largely upon agriculture and agricultural enterprises for its support, therefore we are deeply interested in anything which will aid the farming area surrounding us. The supplemental water to be stored at Burns Creek would aid agriculture by supplying water for direct irrigation in addition to supplying power for pumping water on undeveloped farmland, thus converting power to irrigation on a considerable amount of Burns Creek generation.

In addition to a U.S. Bureau of Reclamation allotment of 22,600 kilowatts of electrical current for summer use (May through September) and an allotment of 30,900 kilowatts for winter use (October through April), we have a hydroelectric plant with a capacity of 7,200 kilowatts. We also have standby diesel generators of 2,400-kilowatt capacity which are not operated except on an emergency basis when the supplier of supplemental power might not be in position to supply our needs.

We have attached an analysis showing the exact consumption of electrical energy in the city for the last 6 years, which indicates an approximately 8-percent increase compounded annually over the 6-year period. With present and anticipated growth of the city there is nothing to indicate that this trend will not continue.

For very obvious reasons we feel that Idaho Falls is entitled to the additional allotment which would be her share of the current generated at the proposed Burns Creek plant. Some 12 years ago the Atomic Energy Commission chose the area lying immediately west of Idaho Falls for their reactor testing station. With our city being chosen as headquarters for the AEC and a large portion of their personnel choosing Idaho Falls as their place of residence, the population rose from 19,000 in 1950, to 33,000 in 1960. Idaho Falls has gained renown for having met the challenge of providing the necessary expansion in housing and in all services to this 72-percent increase in population without asking for, or receiving, Federal aid, as has been the case in some other areas where the Federal Government has been required to provide the means for practically all of such growth and expansion.

In accordance with the attached population growth graph, had the 1900 to 1950 growth trend continued through to 1960, Idaho Falls would now have had a population of approximately 10,000 less than the 33,000 we now have. It is true that all of these 10,000 people are not employed by AEC but it is also quite true that the remainder over and above the number actually employed by AEC came as a result of AEC coming to Idaho Falls.

Because of this influx of good people it can reasonably be said that we now have the equivalent of a city of 10,000 population over and above what would have otherwise been the case. Engineering estimates in our area show an average cost of about $240 per capita for water, sewer, and streets, not mentioning other services rendered, such as police and fire protection, garbage removal, electrical service, and so forth. It is a fact that these people mentioned have borne their proportionate share of these costs but it does not take a great stretch of the imagination to conclude that the community absorbed the development costs without Federal grants except for a $250,000 appropriation for a sewage disposal plant which required a $1,600,000

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bond issue on the city's part and an additional $1,109,000 to be spent over the next 4 years in improving our water system to meet U.S. Public Health Service requirements and to otherwise take care of the expanded growth. All of this would have been absolutely impossible without the revenue from our power system.

In doing these things without aid, however, it was necessary to use funds for other purposes which should have been expended for modernizing and expanding our power system. The time is now upon us when this will have to be done and unless we can continue to secure favorable electrical rates, we will find ourselves in an extremely difficult position. We feel strongly that because so much has been done to avoid Federal expense we should have full consideration in the use of resources which can be developed at Burns Creek, for which we will pay with interest.

Without the Federal impact, our old system was adequate and we were able to provide for obsolescence. Whereas, now because of the expansion due to the Federal impact and the necessity of providing all necessary utility services, we have had to use our funds for these other services and are now faced with the necessity of modernizing our expanded system without the means at hand to do so.

In view of the multiple uses which the Burns Creek project would serve; as a necessary reregulating factor in the flow of Snake River; as an integral part of the Palisades project in furnishing a supplemental irrigation water supply; in supplying supplemental electrical energy for municipal use and for the pumping of water for additional irrigation, we sincerely and respectfully recommend that favorable action be taken on this much-needed project.

Senator CHURCH. Thank you, Mayor.

Your charts will be included in the record.

(The charts referred to follow:)

*City of Idaho Falls, Idaho—Energy and demand history*

| | 1955 | | 1956 | | 1957 | | 1958 | | 1959 | | 1960 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Energy (kilowatt-hour) | Demand (kilowatts) | Energy (kilowatt-hour) | Demand (kilowatts) | Energy (kilowatt-hour) | Demand (kilowatts) | Energy (kilowatt-hour) | Demand (kilowatts) | Energy (kilowatt-hour) | Demand (kilowatts) | Energy (kilowatt-hour) | Demand (kilowatts) |
| City | 53,713,239 | 8,000 | 56,363,820 | 7,200 | 53,927,100 | 7,200 | 52,272,330 | 5,600 | 53,895,130 | 7,100 | 52,134,980 | 6,300 |
| USBR | 38,924,800 | 11,800 | 45,015,600 | 14,882 | 56,616,513 | 17,264 | 66,587,909 | 18,916 | 71,922,645 | 19,887 | 84,652,306 | 21,584 |
| Total | 92,407,639 | 19,800 | 101,200,220 | 22,082 | 110,543,613 | 24,464 | 118,860,239 | 24,516 | 125,817,775 | 26,987 | 136,787,286 | 27,884 |

| ENERGY ESTIMATES | *Energy (kilowatt hour)* |
|---|---|
| 1961 | 148,200,000 |
| 1962 | 160,600,000 |
| 1963 | 174,000,000 |
| 1964 | 188,500,000 |

| DEMAND ESTIMATES | *Demand (kilowatts)* |
|---|---|
| 1961 | 29,900 |
| 1962 | 32,050 |
| 1963 | 34,400 |
| 1964 | 36,900 |

PRESENT U.S.B.R. CONTRACT

| | *Kilowatts* |
|---|---|
| Demand, May to September, inclusive | 22,600 |
| Demand, October to April, inclusive | 30,900 |

At existing growth rate, the city will exceed its present firm power commitment (from U.S.B.R) during the latter part of 1964.

RATE SCHEDULES

| *"U.P. & L."* | *"U.S.B.R."* |
|---|---|
| Demand: First 100 KW, at $2/KW; next 200 KW, at $1.90/KW; all over 300 KW at $1.65/KW. | Demand: $0.75/KW. |
| Energy: First 1,000,000 KW, at 6.5M/KWH; all over 1,000,000 KW, at 5.4M/KWH. | Energy: First 250 hours x monthly billing demand, at 3.5M/KWH; all over, at 3.0M/KWH. |
| | Wheeling charge by U.P. & L.: 1.0M/KWH. |

Senator CHURCH. You make an interesting case, that is a little different from the case made by the mayor of Burley, Mayor Salmon. Idaho Falls has been very much in the center of a Federal impacted area, has it not?

Mr. O'BRYANT. That is right.

Senator CHURCH. The figures you give here, showing that the population of Idaho Falls has nearly doubled in a 10-year period, indicates the extent of the impact of the AEC reactor testing station on the community, does it not?

Mr. O'BRYANT. That is right. It shows an actual 72 percent increase in 10 years.

Senator CHURCH. You are aware, are you not, Mayor, of the laws which authorize special Federal grants to public schools in federally impacted areas? The theory and justification of that has been that where the Federal Government activity is concentrated in a given locality in such a way as to impose very serious burdens on that locality to meet the needs of the newcomers, the Federal Government has a responsibility to help that locality adjust to the new situation.

Now, Idaho Falls has been faced with that problem, and, as you pointed out in your statement, you have undertaken some very large municipal projects to meet the needs of the growing population: two bond issues in excess of $2 million. Is that correct?

Mr. O'BRYANT. That is right.

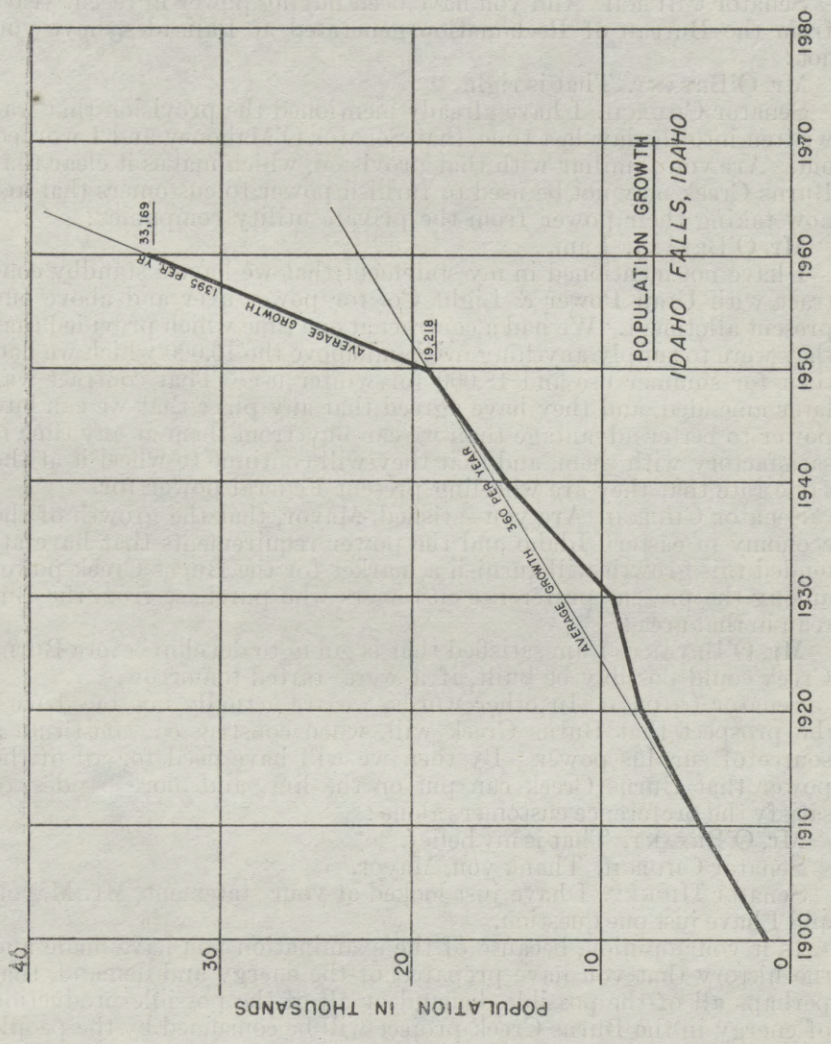
Senator CHURCH. Now, prior to this, Idaho Falls made every effort, did it not, to supply itself with electric generation power? You have your own municipal generating plants?

Mr. O'BRYANT. We have the three generating plants, yes.

Senator CHURCH. For a long time did not Idaho Falls attempt to furnish itself with its own power from its own generating plants?

Mr. O'BRYANT. That is true; up to the capacity of these plants that I have told you about.

Senator CHURCH. So you have suggested in your statement that one additional justification for Burns Creek, from the standpoint of Idaho Falls, is that owing to the fact that Idaho Falls is a federally impacted area, and you have been put to a great deal of local expense to meet the needs of your burgeoning population, you are unable to provide your own generating plants to meet your expanded needs for municipal power, and that the Burns Creek Dam would furnish you with additional power that your growing needs require?


POPULATION GROWTH
IDAHO FALLS, IDAHO
POPULATION IN THOUSANDS
40
30
20
10
0
1900
1910
1920
1930
1940
1950
1960
1970
1980
19,218
33,169
AVERAGE GROWTH
1395 PER YR
AVERAGE GROWTH
360 PER YEAR

Mr. O'BRYANT. That is right.

Senator CHURCH. How long has Idaho Falls maintained a municipal power system?

Mr. O'BRYANT. Between 35 and 40 years.

Senator CHURCH. It goes back to the very early days of the city, does it not?

Mr. O'BRYANT. That is right.

Senator CHURCH. And you have been buying power in recent years from the Bureau of Reclamation generated at Palisades, have you not?

Mr. O'BRYANT. That is right.

Senator CHURCH. I have already mentioned the provision that was written into the law last time, that Senator O'Mahoney and I worked out. Are you familiar with that provision, which makes it clear that Burns Creek may not be used to furnish power to customers that are now taking their power from the private utility companies?

Mr. O'BRYANT. I am.

I have not mentioned in my statement that we have a standby contract with Utah Power & Light Co. for power over and above our present allotment. We had a contract at one time which provided that they were to supply anything over and above the 16,000 which we had then for summer use and 18,000 for winter use. That contract was later amended, and they have agreed that any place that we can buy power to better advantage than we can buy from them at any time is satisfactory with them, and that they will continue to wheel it at the same rate that they are wheeling present Federal power for.

Senator CHURCH. Are you satisfied, Mayor, that the growth of the economy in eastern Idaho and the power requirements that have attended this growth will furnish a market for the Burns Creek power among the present preference customers who purchase from the Bureau in that area?

Mr. O'BRYANT. I am satisfied that is going to develop before Burns Creek could possibly be built, if it were started tomorrow.

Senator CHURCH. In other words, we are actually not faced with the prospect that Burns Creek will, when constructed, constitute a source of surplus power. By then we will have need for all of the power that Burns Creek can put on the line, and more besides, to satisfy the preference customers alone?

Mr. O'BRYANT. That is my belief.

Senator CHURCH. Thank you, Mayor.

Senator HICKEY. I have just looked at your statement, Mr. Mayor, and I have just one question.

Is it your opinion, because of the examination you have made and the history that you have prepared of the energy and demand, that perhaps all of the possible demand or all of the possible production of energy in the Burns Creek project will be consumed by the people of Idaho, or can be?

Mr. O'BRYANT. Oh, yes. In additional pumping projects and the growth of municipalities that are in the same category as the REA to use this for pumping. The future would indicate to me that that would be the case, yes.

Senator HICKEY. I have a number of wires from people in Jackson, Wyo., and in the Afton Valley. They seem to indicate that they are hopeful that some power will be made available to them. Do you

know of any meetings or understandings of any kind that would give them to believe that they will have some of this power?

Mr. O'BRYANT. That is something that I could not answer. I think that the U.S. Bureau of Reclamation and all concerned in that matter would be the ones who would administer it, and I am not in a position to answer that question because I do not know.

Senator HICKEY. You were here this morning during the testimony of the people from the Bureau. And I understand from their testimony that basically the project would be a power project for the needs that are evident in Idaho.

Mr. O'BRYANT. I understood that to refer, too, to the 100,000 acre-feet of irrigation water, that that would all be used in Idaho. As far as the power is concerned, I did not get that implication. However, that might have been the case. I am not familiar enough with it to comment.

Senator HICKEY. Thank you.

Senator CHURCH. I believe, Senator Hickey, we have remaining with us this afternoon some Bureau witnesses. Any time you have a question to put to them, we will call them back.

It is my understanding that one of the present preference customers served by the Bureau from Palisades is situated in the valley. And the Burns Creek project would be serving the same preference customers. So that I would think in that respect power would be taken into Wyoming as well as into Idaho from the Burns Creek project. But we can get further testimony from the Bureau, if you care to have it, sir.

Thank you, Mr. Mayor.

Mr. O'BRYANT. Thank you.

Senator CHURCH. Our next witness is well known to this committee. For many, many years, he was the watermaster on the Snake River, and he has long been regarded as one of the final authorities in water matters in Idaho. He has testified before this committee on many occasions; of late, on those occasions when the committee has had before it the Burns Creek project.

We would like to call on Mr. Lynn Crandall.

Lynn, it is good to see you back again. We surely appreciate your coming.

Mr. CRANDALL. Thank you, Senator.

Senator CHURCH. Perhaps the third time will be the charm.

Mr. CRANDALL. Each time I think it is the last.

I have a prepared statement here, and I will hit a few of the high spots in it.

Senator CHURCH. Very well, Mr. Crandall.

Why do you not just be seated, make yourself comfortable, and proceed as you care to.

## STATEMENT OF LYNN CRANDALL, REPRESENTING THE COMMITTEE OF NINE

Mr. CRANDALL. My name is Lynn Crandall. For 29 years I was Snake River watermaster in Idaho. Prior to that time, I spent 20 years on various water studies and problems; so that all together I

have been associated intimately with Snake River water developments for the past 50 years.

I retired 2 years ago from my position as watermaster, and at the present time I am a candidate for city councilman of the city of Idaho Falls.

I am appearing here at the request of the Committee of Nine on behalf of the Snake River water users. These water users have developed their farms, battled with the floods in wet years and suffered from lack of water in the dry years, so that no one is better able to judge their need for additional storage insurance water than themselves.

In 1960, many of the canals used all their stored water, and some of those most seriously short rented an additional 76,000 acre-feet from owners who had sufficient storage supply so that they were willing to spare this to help the others.

I might explain, in connection with the present reservoirs, and also with Burns Creek, that the water in those reservoirs is not owned jointly by all the canal companies. There are certain canals that, due to past experiences, have bought proportionately much more stored water than others; so that perhaps some of those companies might have insurance water in Burns Creek that they might not use once in 25 years. So they just keep it there like a dry farmer carriers insurance on fire or hail on grain or something of that nature. And then there are other small companies who have not previously made adequate estimates of what their storage needs were, and some of them would use a portion of their Burns Creek water each year.

So there is a great difference in the stored water situation as applied to individual companies.

Each year for the past 5 years, the Snake River water users at their annual meeting have, without a dissenting vote, adopted a resolution in support of the Burns Creek project. The latest expression of their position is shown in the following resolution, adopted at their annual meeting in Idaho Falls on March 6, 1961:

BURNS CREEK RESOLUTION

Whereas Water District No. 36 of the State of Idaho furnishes water for irrigation to some one hundred canal companies and irrigation districts and other individuals in the upper and lower Snake River Valley in southern Idaho, and which water district has approximately 1,500,000 acres of irrigated farmlands within its boundaries, and

Whereas Water District No. 36 of the State of Idaho, has repeatedly in the past favored the construction and operation of the Burns Creek Reservoir, with a storage capacity of 234,000 acre-feet, as proposed by the Bureau of Reclamation in its feasibility report of said project, and

Whereas the canal companies and irrigation districts under said Water District No. 36 are united in their efforts for multiple development of the water resources of the upper Snake River and its tributaries: Now, therefore, be it

*Resolved, by the members of Water District No. 36 of the State of Idaho duly assembled at their annual meeting in Idaho Falls, Idaho, this 6th day of March 1961,* That:

1. We do hereby urge the enactment of legislation by the Congress for the authorization and construction of the Burns Creek project on the South Fork of the Snake River with a total storage capacity of 234,000 acre-feet;

2. We do hereby urge the Idaho congressional delegation to actively work, support, and vote for this legislation of multiple water resource development which will further protect and safeguard existing irrigation projects by making it possible to regulate the flow of the river below Palisades and at the same time provide 100,000 acre-feet of additional supplemental water for irrigation.

3. Since all of the storage water of the proposed Burns Creek Reservoir project is oversubscribed by more than 50 percent by water users who have contracted for Palisades space, we oppose any provisions in the Burns Creek legislation that would make Burns Creek Reservoir water available to any one other than to Palisades space holders.

We do not believe that it is for the best interest of Idaho if its citizens are denied the opportunity to have full development of the water resources of Snake River on account of opposition by the private power companies.

The value of the Burns Creek Reservoir to the Snake River water users is best evidenced by tentative applications from 63 canal companies, irrigation districts, and individuals for 157,000 acre-feet of such space compared to 100,000 acre-feet available for sale.

When the Palisades Reservoir was built applications for space were received considerably in excess of that available. After eliminating large applications for new land irrigation the users agreed in their Palisades contracts that 300,000 acre-feet of additional storage could be developed by the Government with a priority right the same as Palisades to be made available only for sale to owners of Palisades space.

That is what makes the Burns Creek space so valuable, that by this specific authority and agreement, embodied in Palisades contracts, it is equal in value to the Palisades, per acre-foot, as compared to a project that did not have that provision, which would not get any water for storage except in years when the prior Palisades Reservoir was filled.

This goes right along with the Palisades just the same as if it had been created when the Palisades was built.

On the Snake River, our cheap reservoirs have been built. Wyoming is greatly opposed to building new reservoirs in that State for use in Idaho. We do not want to get into a controversy with them.

The only way we are going to get any new storage on the main Snake River is the possibility of developing a couple hundred thousand more by raising American Falls Dam.

The need for water is such that all of those possibilities will be exhausted. They all have to be built eventually as time goes on.

The cheap, low-cost storage on the upper Snake River in Idaho has already been developed; Wyoming is strongly opposed to building additional reservoirs in that State for use in Idaho, leaving on the main river only the possibility at Burns Creek of getting 100,000 acre-feet with nearly all the cost to be repaid from power sales, and perhaps of getting several hundred thousand acre-feet by raising American Falls Dam.

However, only about half of the irrigated area lies below American Falls Dam, while it could all be served from Burns Creek.

Ordinarily, American Falls water can be exchanged for water in upstream reservoirs, but in some years conditions might arise when this could not be done, and due to much greater flooded area exposed to winds on the Snake River plain the evaporation losses are greater at American Falls than in the upstream mountain areas.

There are also several reservoir projects proposed on tributary streams, like Teton River and Willow Creek, for example, but they are required to serve the local areas.

There is a wide fluctuation in the flow of the Snake River between wet and dry years. For example, in 1956, the runoff of Snake River at Moran, Wyo., above all irrigation, was 1,484,000 acre-feet, while in 1960 it was only 759,000 acre-feet or about one-half as much.

The only way in which the dry-year situation can be improved is to provide additional storage capacity to hold water over from the wet to the dry years.

It is only a question of time when the pressures of an increasing population and greater demands for water will require the full development of the water supplies of our western rivers, and this can only be accomplished by using power revenues to pay most of the cost of projects that would not otherwise be feasible.

The private power companies participate to some extent in the benefits of the Palisades-Burns Creek power operation. Most of the Snake River water users are customers of the private power companies so that the latter would indirectly benefit from any improvement in the water supply of such customers.

The Palisades-Burns Creek power is delivered to the Goshen substation of the Utah Power & Light Co. This company charges the city of Idaho Falls 1 mill per kilowatt-hour to carry its power over the company lines to Idaho Falls, a distance of about 14 miles.

In 1960, such charge amounted to $82,500.

The Bureau of Reclamation has estimated that the private power companies will receive about $500,000 annually for carrying the Government power from Goshen substation to place of use.

Also, the private companies make some profit on resale of any Government power that they purchase. They have been large purchasers of Palisades power each year that it has been available.

In the first year, 1958, when the Idaho Power Co. was building Brownlee, they were scrounging around for whatever power they could get. The Palisades power that they bought that year was a lifesaver to them.

The Government power is delivered in an area of heavy use to the private power companies, and it fits in with their operations better, rather than transporting power long distances over their own lines to these load centers.

They bought the Government power and delivered that.

It is of enough value so that they have absorbed all of the surplus power that has been available.

Thank you.

Senator CHURCH. Thank you, Mr. Crandall. I think there are few people in Idaho who can better speak for water users than you. There is no one that I know of who is more of an authority on this subject.

Very often the opponents of Burns Creek have charged that it is just a power project in disguise and the only reason it is being built, the only people who are interested in it, are for those who will buy power from it.

You have stated here today that each year for the past 5 years the Snake River water users at their annual meeting have, without a dissenting vote, adopted a resolution in support of the Burns Creek project.

That is pretty strong evidence, is it not, of the genuine interest of the water users of the Snake River in the project?

Mr. CRANDALL. The impetus for the water came from the water users and the REA preference customers just climbed aboard. That is the way it developed.

Senator CHURCH. During the years that you were watermaster on the river, Mr. Crandall, did you have direct control and direction over the releases of water from the various dams on the river?

Mr. CRANDALL. The reservoirs during the winter season, that is the storing period, they were operated by the owner of the reservoir, which is the Bureau of Reclamation in this instance, as they saw fit. That is, they stored water or they did not store it, depending on their analysis of the situation.

But after the irrigation season began, they then notified the watermaster of who is entitled to the water in the reservoir under their contracts with the Government, and the watermaster then delivered that stored water on demand to the people who have the contracts with the Government for its use.

So, during the irrigation season, we make those daily changes in the outflow from the reservoir based on the orders from the canal companies.

Senator CHURCH. This work made you very familiar with the pattern of storing water for the irrigation season as well as with the way that this water is discharged during the irrigation season, did it not?

Mr. CRANDALL. Yes.

Senator CHURCH. I asked these questions because I have been very much disturbed about a letter that has been circulated by Mr. Naughton, the president of the Utah Power & Light Co., very extensively in Idaho, to the customers of the company, which seems to me to be the old scare technique that is very familiar, trying to persuade the farmers that their water is being jeopardized by public projects.

Have you seen this particular letter, Mr. Crandall?

Mr. CRANDALL. Yes.

Senator CHURCH. I would like, Senator Hickey, for you to have a copy of it, and without objection I would like to put it into the record at this point.

(The letter referred to follows:)

UTAH POWER & LIGHT CO.,
*Salt Lake City, Utah, March 7, 1961.*

DEAR CUSTOMER: A few days ago we sent you a booklet entitled "Burns Creek $50 Million White Elephant." I hope you still have it and will read it again. Very pertinent additional information has come to light which we believe you as a taxpayer and perhaps as a water user would want to know; hence this letter.

We all know that it is very dry in Idaho right now—in fact it is dry in the whole intermountain area. Unless a miracle happens there will be over 900,000 acre-feet of unfilled upstream reservoir capacity on the upper Snake River when this spring's water harvest is over. It has been apparent for some time, that we are going to have a bad water year and that we had better conserve what water we have. Yet in this period, when water should have been stored for use by the farmer later on, releases have been made from Jackson Lake to generate electricity at Palisades. Since October 1 about 150,000 acre-feet of water over and above downstream requirements have been released from the Palisades reservoir to generate power for "preference" customers.

Here is a factual example of what a powerplant can do to an irrigation project—to a farmer's water. The Bureau of Reclamation succumbed to temptation and released stored irrigation water to generate power, all the time hoping that divine providence would bail the Bureau out later on and provide water for the farmers. Had irrigators not stepped in in January and demanded that the Bureau stop its raid on their water the situation would have been worse than it now is.

Here, in the first dry year we have had for a long time, we have far more storage capacity upstream from the proposed site for Burns Creek than we have water to fill it. What good then would 100,000 acre-feet of additional storage capacity at Burns Creek be to the farmer?

We've said before that Burns Creek is a power project. The Bureau must agree because it would charge 98½ percent of the cost to power. If the Bureau will do what it has done with the multipurpose Palisades project, what right has an irrigator to assume that the 100,000 acre-feet of proposed supplemental Burns Creek water would be there when he would need it.

If you agree that Burns Creek would be a waste of money, contact your Senators and Congressmen.

Sincerely,

E. M. NAUGHTON,
*President and General Manager.*

Senator CHURCH. I would also like to read into the record the reply of the present Snake River Watermaster, Mr. Henry Eagle, to the charges that are contained in this letter.

That reply I have in the form of a newspaper clipping from the Idaho Daily Statesman on March 11, 1961.

Senator CHURCH. I have some questions to ask concerning both the charge and the reply of the present witness.

However, I am told that there is a rollcall vote on the Senate floor, so we will have to adjourn temporarily to go and vote. We will come back directly.

(A short recess was taken.)

Senator CHURCH. The subcommittee will come to order, please.

When we recessed a few minutes ago, we were on the subject of the letter that Mr. Naughton had sent, and the reply of the watermaster. I think the importance of this warrants that the newspaper article dealing with the matter be read into the record, also.

Then I will ask a few questions about it.

(Senator Church proceeded to read the following article:)

[From the Idaho Daily Statesman, Mar. 11, 1961]

POWER FIRM CRITICIZED ON SNAKE RIVER STATEMENTS

IDAHO FALLS, March 11, 1961 (AP)—Snake River Watermaster Henry C. Eagle said Friday that the Utah Power & Light Co. has made some statements concerning release from Jackson and Palisades Dams which are incorrect.

Eagle made the comment when questioned concerning a letter the power company mailed this week addressed to "All Idaho Customers of Utah Power & Light Co."

The power company is opposing congressional authorization for construction of the proposed Burns Creek Dam downstream from Palisades on the South Fork of the Snake River in eastern Idaho.

In the letter to its customers, Idaho Power & Light president, E. M. Naughton, said:

"In this dry winter, when water should have been stored for use by the farmers later on, releases have been made from Jackson Lake to generate electricity at Palisades. Since October 1, about 150,000 acre-feet of water over and above downstream requirements have been released from the Palisades Reservoir to generate power for 'preference customers.'

"This is an example of what a powerplant can do to an irrigation project. The Reclamation Bureau succumbed to temptation and released stored irrigation water to generate power."

To this, Eagle replied:

"That is entirely untrue. We have run the river as close as we could at Palisades. There have been about a dozen people working on a committee to decide how to operate this thing, most of them farmers. The Bureau of Reclamation isn't operating this thing without the consent of the water users.

"Last year we ended up with 300,000 acre-feet of Palisades water in Jackson Lake. It has been run to Palisades, but none has been run past. There have been some releases all winter, required to fill other rights, but none of it has been spilled. It has all been caught in the American Falls Reservoir, which was drained very low last year.

"There has been none lost for irrigation."

That is the article, the charge, and the reply by the watermaster.

What comment can you make on this charge, Mr. Crandall?

Mr. CRANDALL. Well, I don't think that Mr. Naughton made it as a deliberate misstatement because he would be too intelligent a man in that position to think that anything could be gained from making a misstatement which would be readily detected.

I think he must have been advised by someone, perhaps in his organization, who had an inkling that the river was being regulated closely and that they made a misinterpretation of the situation. They did not make any attempt to get the facts from any responsible person who knew. They thought they had the Bureau of Reclamation on the hip and tossed it to the wolves.

Mr. Eagle's statement is correct in that Jackson Lake is usually operated for the benefit of the tourists during the summer months, and people down in the Snake River Valley in Idaho who want to use some of Jackson Lake water, the water is borrowed out of Palisades and then they hold the water up in Jackson Lake until perhaps December so as to assist in the spawning of the trout.

That has become a multipurpose reservoir also and one of the purposes is to keep a water level so that the trout can spawn. Then when they get big enough to fend for themselves, they let that water that belongs to Palisades back down into it, along in the wintertime. That was done.

Not only was there no water drawn out of storage, but during the 5 months of October through February, Palisades Reservoir actually increased 168,000 acre-feet, in addition to the water that was dumped down into it from Jackson Lake.

The American Falls Reservoir has a priority to Palisades. Theoretically you would have to fill American Falls before you could store any water in Palisades. But we anticipate what the runoff will be and we try to hold some water, what we can, up in Palisades during the winter so that we won't run into the danger of American Falls filling and overflowing in the spring.

But Idaho Falls City has tremendous powerplants on the river with a priority to Palisades and enough water has to be run down to fill those priorities at Idaho Falls.

That situation was realized way back at the first of last October, and at my suggestion the Bureau of Reclamation formed a committee of the water users.

Two of the large canal companies appointed me as their representative. There were a number of members of the committee—nine—Mr. R. P. Parry, of Twin Falls, was also on it.

We formed a committee which met regularly once a month or oftener during the entire winter, reviewed the situation of the reservoir, the snow, and riverflows and made recommendations to the Bureau as to the amounts that should be released from Palisades.

That has been going on all winter.

Senator CHURCH. The statement that is contained in the Naughton letter is to this effect: "Here is a factual example of what a powerplant can do to an irrigation project—to a farmer's water. The Bureau of Reclamation succumbed to temptation and released stored irrigation water to generate power."

Do you know during the course of your long connection with the Bureau and its projects in Idaho, of instances where irrigation rights were overlooked in order that the water might be used for power generation in conflict with irrigation rights?

Mr. CRANDALL. The Bureau has been very cautious about that. Of course, these are multipurpose reservoirs now, and one of those purposes is power development.

While every effort is made to insure that as much water as possible will be caught in the reservoirs, you have to make estimates along during the winter of what the runoff is going to be because it is equally important that you produce power also.

In other words, when Palisades was authorized, it was represented to your committee and the Congress that there would be certain power production there which would pay so much, and a large part of the project has paid for that. So we cannot just shut the powerplant entirely down, for example, until the reservoirs fill up. That is the way a multipurpose reservoir is operated.

Well, in an operation of that kind that might conceivably turn out that you spill a little water unnecessarily, or you did not dump down enough, or something of that kind. In other words, there is a certain leeway in such an operation.

But the intent of the Bureau has always been to recognize the primary purpose of conserving the water for irrigation, and to get what power you can out of it under that rule.

Senator CHURCH. That has always been my understanding, too. I thought we might better put these facts fully into the record in view of the serious charges that is made, and the very great sensitivity that farmers have, and rightfully so, over their water rights.

Once you raise a scare of this kind, the farmers are entitled to have the full facts.

Senator Dworshak, have you any questions?

Senator DWORSHAK. No.

I regret, Mr. Chairman, that I was not able to be here at 2 o'clock. I have been under considerable pressure to attend a very important meeting of the Joint Committee on Atomic Energy, which currently is in session, to consider the ANP aircraft nuclear propulsion program, and I understand that means about as much to the people of eastern Idaho as does Burns Creek. So I was in a dilemma, of trying to be at two meetings this afternoon.

Senator CHURCH. Senator Hickey?

Senator HICKEY. I have no questions.

Senator CHURCH. Thank you very much, Mr. Crandall. We certainly appreciate your testimony.

Mr. CRANDALL. Yes, sir.

Senator CHURCH. I have a statement by Senator Gale W. McGee, of Wyoming, that he has asked to have included in the record, of endorsement and support for the Burns Creek project.

Without objection, the statement will be placed in the record, to appear at an appropriate place.

I also have a letter from the United Mine Workers, District 22, addressed to the chairman of this committee, expressing opposition to the project.

And I also have a letter from the Rochester Gas & Electric Corp., of Rochester, N.Y., signed by the chairman of the board, in opposition to the project, which will be included in the record at this point.

(The documents referred to follow:)

STATEMENT OF HON. GALE W. MCGEE, U.S. SENATOR FROM THE STATE OF WYOMING

In his recent statement to the Congress on the subject of natural resources, President Kennedy called for a broad new approach to the development and conservation of our resources. He pointed out that the national welfare was linked inseparably to this program, that the extent of our national achievement in the future is dependent upon it and that therefore, resources development was in the interest of every American citizen.

Spelling out these concepts, he called for a sustained expansion of our efforts in reclamation, in the construction of water storage capacity and in the generation of electric power.

The purpose of this statement is to put on record my support for the Burns Creek project. This project, an integral part of the original Palisades project, will add substantially not only to our capacity to store water, but also to our ability to generate hydroelectric power. Significantly, the President's resources statement recognized that if we are to meet our Nation's needs for economic growth, the expansion of our ability to generate and effectively put to use electric power must be undertaken on a public, cooperative, and private basis. In many areas of the United States, the question is not who shall produce the power, it is shall the power be produced. If the area which will be served by the power produced by the Burns Creek project, is to enjoy the same degree of opportunity for economic growth in the coming decades, as more fortunate areas, it is essential that more power be made available.

Burns Creek will help to fill this need and thus, in my estimation is justified. I believe the San Juan Chama and Navajo projects are also justified and that if the West is to meet the challenge, which even now is being provided by a rapidly expanding population and economy, it is time that we got on with the job of their construction.

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UNITED MINE WORKERS OF AMERICA,
*Helper, Utah, February 1, 1961.*

HON. CLINTON P. ANDERSON,
*Chairman, Interior and Insular Affairs Committee,*
*U.S. Legislature, Washington, D.C.*

DEAR SENATOR: I note that legislation has again been introduced in the 1st session of the 87th Congress to construct, operate, and maintain a reregulating reservoir and other works at the Burns Creek site in the Snake River Valley in Idaho, and for other purposes. The bills introduced are numbered S. 66 and H.R. 36.

Burns Creek is an unnecessary out and out power project, which if constructed as planned would dump 500 million kilowatt-hours per year of electrical energy into the area in which there is at present, and in the near future, no shortage of electrical power. The net effect of such a project would only eliminate and reduce employment of coal miners by at least 20,000 man shifts per year, to produce the 250,000 tons of coal that Burns Creek power project will displace.

The depressed coal mining areas with its dangerous high level of continued unemployment in Utah and Wyoming as well as other states look toward Congress for acts that will increase employment in the coal industry rather than the extravagant spending of all taxpayers moneys for such unnecessary power projects which if constructed would be for the benefit of a select few at the expenses of all the taxpayers in the Nation.

Because of the serious and detrimental effects this project will have on the Wyoming and Utah coal miners in District 22, United Mine Workers of America, I am hopeful S. 66 and H.R. 36 will receive your most serious consideration and urge the defeat of this unnecessary legislation.

Sincerely,

MALIO PECORELLI,
*Member of the International Executive Board, District 22.*

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ROCHESTER GAS & ELECTRIC CORP.,
*Rochester, N.Y., March 2, 1961.*

HON. CLINTON P. ANDERSON,
*Senate Office Building, Washington, D.C.*

DEAR SENATOR ANDERSON: I cannot ignore the insistent urge to write you about Senate bill 66, which comes before your Committee on Interior and Insular Affairs on March 15. This is the Burns Creek bill, which I expected would come up again just like a sunflower comes up each spring.

This project, as you know, has been admitted to be strictly a power project with over 98 percent of its estimated construction cost being allocated to power purposes in spite of the fact that the area involved is already being adequately served with power by existing facilities. The Bureau of Reclamation is reaching out very far to dress this project in a "phony suit" of reclamation for irrigation purposes.

It is excedingly disturbing to me that this particular type of legislation should be introduced or pressed at a time which is claimed by President Kennedy to be a critical one for the Nation's economy. If President Kennedy is correct about his appraisal of the national alarm, then surely the U.S. Senate should rise up and say "no" to all proposals that would waste the people's money and be a further drain on the national economy. This is the time to paint all proposed Federal public works projects white or black—either they are unquestionably justified in the national public interest or they are not. The Burns Creek project is unquestionably black and its cost will be borne by millions of taxpayers throughout the country who cannot possibly gain by its construction.

With kindest regards.

Sincerely yours,

ROBERT E. GINNA,
*Chairman of the Board.*

Senator CHURCH. Our next witness is Mr. Leonard Graham, president of the Committee of Nine.

Mr. Graham, we want to extend a very cordial welcome to you.

Let me say that in your position as chairman of the Committee of Nine, you are speaking with great authority for all the water users and farmers that are fed from the Snake River.

We are very pleased that you have taken the trouble to come back to Washington.

## STATEMENT OF LEONARD GRAHAM, PRESIDENT, COMMITTEE OF NINE, WATER DISTRICT NO. 36

Mr. GRAHAM. Mr. Chairman and committee members: My name is Leonard Graham. I am a farmer and reside at Rigby, Idaho. I am a member and chairman of the Committee of Nine of Idaho Water District No. 36, which water district encompasses approximately 1,500,000 acres of land irrigated from the waters of the Great Snake River and its tributaries.

I am also chairman of the Upper Snake River Water Users Protective Union, an organization composed of some 52 canal companies and irrigation districts irrigating about one-half million acres of land in a high state of cultivation.

These organizations have requested me to attend this hearing and testify favoring the authorization and construction of the multipurpose Burns Creek Dam and reservoir with a total storage capacity of 234,000 acre-feet.

Much has already been said favoring this project, and there is probably little that I can add, but I do want to say this, based on my knowledge of farming and irrigation in Idaho, we do need the Burns Creek Dam and Reservoir.

The water users of the Upper Snake River and its tributaries strongly believe in the orderly upstream development of our water resources in a manner that will provide the greatest use and benefit.

Burns Creek Reservoir, with its 100,000 acre-feet of supplemental storage for irrigation, could very well mean the difference between a crop failure or a successful farming operation during a dry cycle such as we are experiencing now.

Incidentally, our snowfall and water content in the upper watershed area of the Snake River and its tributaries is averaging approximately 70 percent of normal at this time.

What we favor about the Burns Creek project is that it will provide supplemental water to lands now under irrigation, but which need the assurance of more water in dry years.

The concern of these water users is best shown by the fact that the 100,000 acre-feet of supplemental storage has been oversubscribed by holders of space in Palisades Reservoir by more than 50 percent at the present time.

Idaho Water District No. 36, and the Protective Union, at their annual meetings for the past 5 years, have urged the passage of this legislation.

This project, in addition to providing the 100,000 acre-feet of supplemental storage for irrigation, will also permit power peaking at the Palisades Reservoir powerplant and the regulating of the flow of the river below the Burns Creek Dam on an even basis.

The reregulating feature is much to be desired as erratic fluctuation of the flow of the water into the river disrupts the entire irrigation program and can damage the diversion works from the river into the canal systems.

It also can result in a great loss of fish, which is a matter of no minor concern.

The water users have come to realize that there are many uses for water and that multiple-purpose projects upstream that do not interfere with irrigation should be favored over single-purpose projects.

In this connection, let me say that the Burns Creek project will also provide a beautiful lake for recreation, sedimentation control, fish and wildlife, and power benefits.

It is a project that will afford maximum beneficial use of the water.

Finally, in closing, let me urge that because of the urgent need for the 100,000 acre-feet of additional storage for irrigation of lands now under cultivation, and because this space in the proposed Burns Creek project has been oversubscribed by holders of irrigation space in Palisades Reservoir, that the 100,000 acre-feet of storage be made available only to holders of space in the Palisades Reservoir.

Also in closing, I want to point out that we recognize the right of the power companies and others to state their views in opposition to this, or any other project, and we would fight to assure them of that

right, but we wish to make it known that we are not in accord with the views expressed by the power companies in opposition to the Burns Creek project.

We respectfully urge the authorization of the Burns Creek Dam and 234,000 acre-foot reservoir.

Senator DWORSHAK (presiding). Have you any questions, Senator Hickey?

Senator HICKEY. Mr. Graham, I have just one question.

On the irrigation facilities that you speak of in the Palisades Reservoir, are there any Wyoming holders of space in that reservoir?

Mr. GRAHAM. In the Palisades, do you mean?

Senator HICKEY. Yes.

Mr. GRAHAM. I understand that Wyoming holds a percentage of that storage.

Senator HICKEY. Then you understand that there are some Wyoming users who would get some supplemental irrigation water out of Burns Creek, the Burns Creek Reservoir?

Mr. GRAHAM. I could not answer that.

Senator DWORSHAK. We have Mr. Nelson here, the Bureau director, from Boise.

## STATEMENT OF HAROLD NELSON, REGIONAL DIRECTOR, BUREAU OF RECLAMATION, BOISE, IDAHO

Mr. NELSON. I want to state in answer to your question, Senator Hickey, that there is a reservation of space now in the Palisades Reservoir for future use in Wyoming. That is being reserved now under terms of what is called the Snake River compact.

Over and above that, there will not be direct use of space in Burns Creek for Wyoming.

However, there is a project on the books, a reclamation project in Star Valley, that will require financial assistance.

It is proposed to tie that to the Palisades project for payout purposes.

Senator DWORSHAK. We are forced to take a brief recess as a roll-call vote is again underway in the Senate.

(A short recess was taken.)

Senator CHURCH. The subcommittee will come to order, please.

The Chair wants to apologize to all of you good and patient people for the many interruptions that have occurred. I am sorry that this has prolonged the hearing. There is nothing we can do about it, except to try and live with it.

Mr. Nelson, had you completed your statement?

Mr. NELSON. I was within one line of answering a question that Senator Dworshak had asked. I finished with the water.

I wanted to also mention that there is a power customer of Burns Creek in Wyoming. That is a present power customer of Palisades, and an applicant for an additional supply of Burns Creek.

That is the Lower Valley Power & Light Co., of Afton, an REA cooperative. They now have a contract for 5,200 kilowatts in the winter, and 5,400 in the summer. We have had to limit their taking because we have contracted all of our firm. They have applied for 6,000 more kilowatts from Burns Creek, if, and when, available.

I might add that that group serves Star Valley and the city of Jackson, Wyo.

Senator CHURCH. Thank you, very much.

Mr. Graham, have you completed your testimony?

Mr. GRAHAM. Yes, Mr. Chairman.

Senator CHURCH. In that case, Mr. Graham, we will call the next witness.

In the event that either Senator Hickey, or Senator Dworshak, wish to put any further questions to you, we will call you back.

Mr. GRAHAM. Thank you.

Senator CHURCH. Our next witness is Mr. Clifford Scoresby, the secretary of the Committee of Nine.

Mr. Scoresby, we are really very pleased to have you here to testify.

## STATEMENT OF CLIFFORD M. SCORESBY, SECRETARY, COMMITTEE OF NINE

Mr. SCORESBY. I am happy to be here, Mr. Chairman.

Mr. Chairman, and members of the committee, my name is Clifford Scoresby. I am a farmer in Idaho Falls. I am a member and secretary of the Committee of Nine of Idaho Water District No. 36, and I am also a director of the Progressive Irrigation District, and a director of the Upper Snake River Water Users Protective Union.

I am appearing here not only for myself, personally, but also as a spokesman for these water organizations.

Needless to say, we respectfully request this committee to report out favorably the Burns Creek integrated reregulating dam, reservoir, and powerplant project bill.

This legislation has previously passed the U.S. Senate on two occasions. The plan was formulated only after many years of study and consultation.

The benefit of this project to irrigation in Idaho and other multiple use benefits have been stated and restated, and without going into the matter in further detail, I wish to say that I wholeheartedly subscribe to the statement made by Leonard Graham, chairman of the Committee of Nine.

As he so ably pointed out, we need the 234,000 acre-foot project, as it will provide the 100,000 acre-feet of additional storage so much needed for use on land now under irrigation, and at the same time, permit the regulating of the flow of the river on an even basis.

That is the long and short of it.

The other benefits are much to be desired and, let me say, it has really been an accomplishment to get our farmers to recognize these other multiple-use benefits as being essential.

Members of the committee, we urge your favorable consideration of this legislation.

Senator CHURCH. Mr. Scoresby, I thank you for your statement.

I think that the support that the water users and the farmers of eastern Idaho have given to this project is very, very significant, and the fact that they have given wholeheartedly to the multipurpose projects that serve other public needs as well as the farmers' irrigation needs, in my opinion, is a mark of good citizenship and bodes well for the future.

Thank you very much for coming.

Mr. SCORESBY. Thank you, Mr. Chairman.

Senator CHURCH. The next witness is Mr. Leo Murdock, who is also a member of the august Committee of Nine.

## STATEMENT OF LEO MURDOCK, MEMBER, COMMITTEE OF NINE, IDAHO WATER DISTRICT NO. 36

Mr. MURDOCK. Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Leo Murdock. I am a farmer and reside at Blackfoot, Idaho. I am a member of the Committee of Nine of Idaho Water District No. 36, and also a director of the Aberdeen-Springfield Canal Co., and I have been authorized by both organizations to testify here today and to urge favorable consideration by your committee of the proposed Burns Creek legislation which is now before you for consideration.

We favor the Burns Creek legislation that will authorize the construction of a dam and reservoir having a capacity of 234,000 acre-feet.

This project, as Mr. Leonard Graham, chairman of the Committee of Nine, has so ably pointed out, will provide an additional 100,000 acre-feet of storage space of supplemental water for use in irrigating lands now under irrigation.

Incidentally, the million and a half acres of farmlands embraced within the boundaries of Idaho Water District No. 36, is one of the oldest and perhaps the most productive farm area in the entire State of Idaho. The entire economy of southern Idaho is tied to agriculture, and these farmlands are in need of additional supplemental water to better insure a crop during the dry years. The 100,000 acre-feet of storage space in the proposed Burns Creek project has been oversubscribed by holders of space in the Palisades Reservoir and the legislation now being considered by your committee should by all means provide that this entire 100,000 acre-feet of storage space be made available for use on lands now under irrigation and to those canal companies and irrigation districts that hold space in Palisades Reservoir.

I am not going to go into the advantages of the other multiple purpose use benefits as they have been ably presented to you by other witnesses speaking in behalf of the water users of Idaho.

I am very grateful for the opportunity you have extended to our group of appearing before your committee and pointing out the urgent need for the Burns Creek Dam and the 234,000 acre-foot storage reservoir.

Thank you.

Senator CHURCH. Thank you very much, Mr. Murdock. Your presence here is further testimony of the very real interests of the farmers and water users of the State.

Mr. MURDOCK. Thank you.

Senator CHURCH. Our next witness is Mr. John Poole, of the Flood Control District No. 1.

Senator CHURCH. Mr. Poole, we welcome you to the committee today, and we are pleased that you have come all this distance to testify.

## STATEMENT OF JOHN T. POOLE, FLOOD CONTROL DISTRICT NO. 1, IDAHO

Mr. POOLE. Thank you.

I am John T. Poole, appearing on behalf of the Flood Control District No. 1 of Idaho. This flood control district was created in 1946. The primary purpose of the district is to assist the United States and to obtain aid and assistance from the United States in flood prevention and control of the waters of the Snake River.

The district embraces lands adjoining and adjacent to the river on both the right and left banks of the South Fork of the Snake River from Heise downstream to and beyond the confluence of the North and South Forks of the Snake River to Roberts, Idaho. There are approximately 44,160 acres of land within the district with a total assessed valuation of approximately $1,266,000.

Of far more importance, however, are the diversions of water for irrigation within the district for lands outside the district. From Anderson's Dam at Heise to the Idaho Canal diversion dam, the area in which the funds appropriated by the Congress of the United States have thus far been expended, there are 38 separate canals which divert water to irrigated lands either directly out of the Snake River or out of the Great Feeder Canal, which diverts its water from the Snake River.

During the year 1953, diversions from these 38 canals totaled 1,961,588 acre-feet of the waters of the Snake River, which irrigated 243,024 acres of highly fertile land. These lands are located in Madison, Jefferson, Bonneville, and Bingham Counties, Idaho.

Appendix A,[1] lists these canals, their diversions in acre-feet and the acres irrigated.

These headings and the irrigation of these lands are directly dependent upon the measures and methods of flood control and prevention taken by the Corps of Engineers and Flood Control District No. 1 of Idaho.

The municipality of Idaho Falls, and all of its municipal hydroelectric power is dependent upon the maintenance of the present channel of Snake River within Flood Control District No. 1 of Idaho. Less directly, most other municipalities from Rexburg on the north to Blackfoot on the south are dependent upon the economy of the areas served by these diversions.

Already constructed on the South Fork of the Snake River upstream from Flood Control District No. 1 is the Jackson Dam in western Wyoming, and the Palisades Dam in eastern Idaho. The first dam, Jackson, was primarily for the storage of irrigation waters.

However, Palisades Dam is a multiple-purpose dam, that is, for irrigation, flood control, and incident thereto the production of hydroelectric power. Palisades Dam, used in conjunction with Jackson Dam above, and American Falls Dam below, has approximately 1 million acre-feet of storage for flood control. Since its construction the threat of flood disaster to large tracts of highly fertile lands due to spring runoffs has been materially averted. Although it has not eliminated the necessity for channelization and bank stabilization

[1] App. A, submitted to the committee, is in the committee files.

in Flood Control District No. 1 of Idaho, it has materially lessened the flood threat.

These dams alone, however, do not provide adequate flood control capacity to meet the recurring emergency runoff in the South Fork of the Snake River. Illustrative of this point is the fact that Palisades Dam has a capacity of 1,400,000 acre-feet of water, and a probably normal drawdown of 1 million acre-feet. Those figures may be contrasted with a waste runoff of 3,800,000 acre-feet in 1928 and 3,500,000 acre-feet in 1952.

As early as 1952, and before, Flood Control District No. 1 of Idaho recognized the fact that haphazard development of the Snake River Basin without a comprehensive and integrated plan of development would detract from the possibilities that would be realized under a comprehensive plan of development. We were instrumental in our own small way, in procuring a series of hearings in February of 1955 on the modification of the report of the Chief of Engineers on "Columbia River and Tributaries, Northwestern United States," submitted in House Document No. 531, 81st Congress, 2d session. As a result of these hearings the Bureau of Reclamation and the Corps of Engineers, with other related Federal agencies, conducted a study for the maximum development of the Snake River, which study is embodied in a joint preliminary summary report on the upper Snake River Basin, 1960.

Burns Creek Dam is an integral part of the development of the Snake River according to this plan embodied in the aforementioned report. Burns Creek Dam is designed primarily as a reregulating dam with 100,000 acre-feet of storage for irrigation to be used in connection with and as an integral part of Palisades Dam. This may appear to your committee to be of small consequence in the prevention of flood threats, but integrated with Jackson, Palisades, and American Falls Dams, it could, and probably would provide that margin of safety for periods of time which would avert a flood threat, particularly when flows of spring runoff are "peaking."

Flood Control District No. 1 of Idaho feels that water resource activities in the United States, and particularly on the Snake River transcend individuals, or groups of individuals, private or public, and that the national interest dictates that the development of water resources must be in accord with the plan of development embodied in the study by the Corps of Engineers and the Bureau of Reclamation.

Burns Creek Dam is a project which will make available for irrigation more than 100,000 acre-feet of water for irrigation, which will serve as a reregulating reservoir for the Palisades Reservoir, and which appears economically feasible from every point of view. It is a part of a well-formulated plan for the further development of water.

It is the considered opinion of this Flood Control Committee that the pattern of water development should be predicated upon the good and necessity of all; namely for the good of populations domestic needs and agricultural and industrial needs for water. If in the pattern of water development predicated upon these criteria, and as an incident thereto, and in order to justify economically such a development, there is developed hydroelectric power which would be in competition to, or supplement that of private industry, it is the opinion

of this Flood Control Committee that the water development should be carried on regardless of the opposition to such water development by such private industry.

Succinctly put, the national interest, which in substance is the people's interest, must transcend profit making in any plan or pattern of water development.

Senator CHURCH. Thank you very much, Mr. Poole, for a very fine statement. I think that your reference to the need for comprehensive development of the river resources in the public interest cannot possibly be restated often enough. President Theodore Roosevelt was the first to point out to a country that had not yet learned to fully harbor its great natural resources, when he said that every river has to be planned for full development from its headwaters to its mouth. We have undertaken to do this through the Corps of Engineers and through the Bureau of Reclamation so that the water will not be wasted and the full potential of the water can be developed for the public good.

I think if we ever strayed away from that principal, then we are disserving the public.

I think for this reason, the emphasis you placed upon the need for full and comprehensive development is excellent, and I commend you for it.

Mr. POOLE. Thank you, Mr. Chairman.

Senator CHURCH. Our next witness is Mr. Eddie Pedersen.

Mr. Pedersen is president of the Idaho Falls Chamber of Commerce, and is also very active in the Fish and Wildlife Federation in Idaho. He is well known to all people of the State.

## STATEMENT OF S. EDDIE PEDERSEN, PRESIDENT, IDAHO FALLS CHAMBER OF COMMERCE, INC.

Mr. PEDERSEN. Mr. Chairman, I only regret that Senator Hickey is not present because by parallel I have to refer to the Palisades Reservoir in my statement.

Senator CHURCH. I am sorry, too, Mr. Pedersen, that he is not here. But he will have an opportunity to read the full testimony that you present.

Mr. PEDERSEN. I am Eddie Pedersen, a businessman and president of the Bonneville Sportsmen's Association for 12 years. I deem it a privilege to have the opportunity to present testimony relative to the proposed construction of a dam on the main stem of the Snake River at a point near the mouth of Burns Creek, Bonneville County, Idaho.

We feel sure that by completing a structure of this multipurpose type, a great contribution will be made to our national economy, and would like to state a few of our beliefs to substantiate this opinion.

The new reservoir created by the proposed dam will make available to the people from our many States a new area for picnicking, fishing, boating, organizational and family unit camping, and general enjoyment of many other types.

I would like to use the Palisades Reservoir, which is about 25 miles upstream from Burns Creek, as an example of the need for the development, to optimum use, of all of our natural resources.

The Palisades Reservoir lies between two forests—the Targhee and the Caribou. On the Targhee side of the reservoir in 1957, before completion of the dam—68,700 people visited the area and in 1960—114,100 visits were made. On the Caribou, this type of use has risen from 7,500 people visiting the area in 1952 to 76,700 in 1960.

The responsibility for managing the recreational use of the Burns Creek Reservoir will likewise be divided between personnel from the same two forests.

Speaking of the ever-increasing demand for recreational areas I would like to quote Bruce W. Reese, Caribou District forest ranger:

> We have been building campgrounds, roads, and facilities of various kinds for the last 5 or 6 years, and so far haven't been able to keep up with the demand * * *. Last year we had 44,000 visits by people in one campground on the reservoir.

The Snake River originally contained cutthroat trout. Prior to the completion of Palisades Dam an agreement was entered into between the departments of fish and game of Wyoming and Idaho that at no time will any other specie be introduced without the consent of the fisheries management of both States. The stocking of the reservoir has largely been done by Idaho. The building of Palisades Dam created 22 miles of expanded fish habitat, and the results have approached phenomenal. The fish growth has been unbelievable and literally tons of fish have been taken.

Persons enjoying this new fishing paradise have come from all over the United States. A review of the sources of income of the Idaho State Department of Fish and Game will support this statement, for you will find approximately 47 percent of that department's income is from the sale of out-of-State licenses. Obviously, most of the users of this new area come from Idaho, Wyoming, Utah, and California in that order, but one informal 3-day survey showed users from 32 States.

The use is so great that boat facilities are already overcrowded to the point that almost emergency measures are presently being taken to keep abreast of the demands.

This area is on the migratory waterfowl flyway which is now penalized to a bag limit of one Canada goose because some of the most desirable marshlands for nesting by these birds have been drained. This reduced limit extends from the Imperial Valley in California to Arizona, eastern Nevada, Utah, and western Wyoming. Last fall we hunted geese in the Palisades area and before the southern migration we saw many, many flocks up to 60 and 70 in number using this large body of water as a refuge and resting area. All water developments will have a favorable effect on America's waterfowl population. The U.S. Fish and Wildlife Service has been studying the effect that Burns Creek Dam will have on the fish and wildlife resources, ways to mitigate any losses and how to turn these losses into benefits.

On the title page of the various bills authorizing the construction of Burns Creek it states, and I quote:

> * * * and, as incidents to the foregoing purposes, to enhance recreation opportunity and provide for the conservation and development of fish and wildlife * * *.

Palisades Dam has created an obstruction to fish going upstream to spawn, but acres of exposed gravel area below the dam can now be economically developed into spawning grounds. Tributaries to the main river, specifically Pine Creek, Palisades Creek, Rainy Creek, and Burns Creek with a minor amount of stream improvement can be made into ideal spawning grounds. All these streams are above the proposed Burns Creek Dam.

The maximum fluctuation of the proposed reservoir will be 4 feet. This is one of the most desirable features it possesses. Summer homesites have been in demand in the Palisades Lake region, but the fluctuation of the water is so great that it is not nearly so desirable as will be the area near Burns Creek. The location of the proposed reservoir, 30 to 40 miles from the city of Idaho Falls, is such that local interest in summer homesites at this area is already tremendous.

Some opposition is expressed to the storage of what is called an additional and unnecessary 100,000 acre-feet of water. Even though we recognize that 100,000 acre-feet is a relatively small amount of storage water, this will have a tremendous psychological effect in dry years.

For example, this year we have been threatened with a second dry year in succession. This situation has changed for the better dramatically in the past 30 days, so we hope we are over the hump. However, the threat of short water in 1961 had an adverse effect on purchases by irrigators during the late fall and early winter. This hurt Idaho Falls businesses substantially. The availability of the 100,000 acre-feet in Burns Creek would have been of great value in reassuring these people that they would have some late water. This would have encouraged them to make normal purchases during the period when they have been tightening their belts.

It is only this storage space, calling for the higher dam, that makes Burns Creek Dam desirable to recreational use. Only a high dam will create a backwater area stretching far enough upstream to make a pollywog shaped reservoir with the large part, or head, being Conant Valley. This large "head," as I call it, is the only part bounded by U.S. Highway No. 26, the Sun Valley-Jackson Hole-Yellowstone Highway.

Let me emphasize this point: A low dam will do nothing but harm the area from the standpoint of wildlife and other recreational use. Only a high dam is of any value to the potentially marvelous enhancement that can come to the area.

The terrain, behind a low dam, would be nothing but inaccessible steep rocky canyon walls. Behind a higher dam the terrain is largely grassy, lightly timbered, gently rolling hills—obviously an ideal situation for public campgrounds, public fishing and boating facilities, picnic areas for families with small children and summer homesites. Thousands of tourists will stop, if for nothing else than to rest, upon discovering such a place. The narrow part of the reservoir in a steep canyon will provide boat trips of matchless beauty.

I took Carl Mantey, a man from Caro, Mich., on a trip through there last fall and he said:

> This is America and I feel as though I own a part of it. I'll request our congressional delegation to help expand its capacity for more people * * *

The esthetic wealth of this proposed area cannot be measured in kilowatt-hours or acre-feet of water. It can be measured only by the healthy bodies of water skiers, in the numbers of people given a chance to enjoy the out-of-doors and a finer heritage for generations to come.

With resolution we can have power dams—irrigation—fish and wildlife and, above all, a greater abundance of the beautiful things in nature, properly managed.

Perhaps I have sounded idealistic in the foregoing. Saying it all in different words, the building of Burns Creek Dam is nothing but a hardheaded, practical business type investment in the future of America—an investment with a fast payout—and investment similar to many other investments by the Federal Government in many other places—an investment which will have a payout forever.

Besides that, Senator Church, there are two or three attachments that have been signed, the resolution from the Bonneville Sportsmen's Association and one asking for a favorable report from the Idaho Falls Chamber of Commerce.

I respectfully submit them and ask for a favorable report from your committee.

Senator CHURCH. Thank you very much, Mr. Pedersen. Both the resolutions of endorsements by the Idaho Falls Chamber of Commerce and the letter of endorsement by the Bonneville Sportsmen's Association will be included in the record following your statement.

Let me say to you, before you leave the witness table, that I think you have made a very eloquent statement and I am very glad that you came to make it. You have emphasized the general public interests in the enhanced recreational features that this project will make available.

One of the arguments we have encountered in the past against the project has been the argument that maybe re-regulation will, in fact, enhance the Palisades, and may be necessary, that a smaller dam could provide the re-regulation with no power generation and that this would suffice for purposes of the re-regulation. But you have pointed out here that a smaller dam would not have the recreational benefits for those that are interested in the fish and wildlife aspects of this project, that this higher dam, as called for by the bill has. Is that correct?

Mr. PEDERSEN. Yes, it is, Senator. The smaller dam would be off of the highway. It would be inaccessible. The extent of the forest road now is just merely to the location of the proposed dam from the lower end, and at the upper end the highway touches the river in Conant Valley, which would be inundated by the proposed high dam, which would make the desirable recreational area of which I speak.

Senator CHURCH. I think you have made that point very clear where you said:

> Let me emphasize this point: A low dam will do nothing but harm the area from the standpoint of wildlife and other recreational use. Only a high dam is of any value to potentially marvelous enhancement that can come to the area.

I, for one, believe strongly that the recreational values to be gained from projects of this kind are fully as important as the other public values.

Mr. PEDERSEN. Your Honor, it was very pleasing to hear the Assistant Secretary this morning say that in appraising these projects now, on the cost-benefit ratio, that they are taking a more practical appraisal in the other benefits that would add to our national gross product.

Senator CHURCH. I have seen the dramatic transformation that has come as a result of Palisades. You pointed it up very well, the tremendous opportunities for wholesome public recreation that Palisades has meant to the eastern Idaho area, and the people of Utah and Wyoming.

Mr. PEDERSEN. The fourth largest industry in the State of Idaho today is recreational travel.

Senator CHURCH. Yes. This project, if I understand your statement correctly, Burns Creek, is even more useful than Palisades from a recreational point of view, because you will not have the drawdown at Burns Creek that you have at Palisades which makes it not so attractive for summer homes. Is that so?

Mr. PEDERSEN. I tried to make that point clear.

Senator CHURCH. You made it clear.

Your statement does indicate that in addition to the many other purposes that would be served by Burns Creek, high among them is enhanced recreational values for the people of the whole region.

Thank you.

Mr. PEDERSEN. I appreciate the opportunity to have made my statement.

Senator CHURCH. I appreciate your making it.

(The statements presented by Mr. Pedersen are as follows:)

A RESOLUTION

The Idaho Falls Chamber of Commerce is an organization of over 600 persons concerned with the economic well-being and growth of eastern Idaho.

For over 50 years the Idaho Falls Chamber of Commerce has cooperated with farmers and ranchers in seeking water development and flood control in eastern Idaho.

In recent years, the Idaho Falls Chamber of Commerce has worked with water users of the upper Snake River area in seeking approval and construction of the Burns Creek project—a multipurpose project with total storage capacity of 234,000 acre-feet of which 100,000 acre-feet are allocated as storage space for supplemental water for land now under irrigation.

*Be it resolved by the Idaho Falls Chamber of Commerce in regular business session on February 28, 1961,* That—

1. We urge the enactment by Congress of legislation for the authorization and construction of the Burns Creek project on the South Fork of Snake River, with a total storage capacity of 234,000 acre-feet.

2. We urge the Idaho congressional delegation to continue to work actively for the passage of this legislation creating multipurpose water resource development which will protect and safeguard existing irrigation projects by making it possible to regulate the flow of Snake River below Palisades and at the same time provide 100,000 acre-feet of supplemental water for irrigation.

3. Since all of the storage water of the proposed Burns Creek project is oversubscribed by more than 50 percent by water users who have contracted for storage space in Palisades Reservoir, we oppose including any provision in the Burns Creek legislation, or the interpretation of this legislation by the executive branch of the Government, which would make Burns Creek Reservoir water available to any others than those having storage rights in Palisades Reservoir.

S. EDDIE PEDERSEN, *President.*

BONNEVILLE SPORTSMEN'S ASSOCIATION,
*Idaho Falls, Idaho, March 10, 1961.*

Hon. RALPH HARDING,
*House of Representatives,*
*Washington, D.C.*

DEAR RALPH: Attached is an excerpt from a record of congressional actions which quotes a portion of the bill which authorized the building of Palisades Dam.

You will note that the words referring to Grays Lake in the present H.R. 36 and the wording of the proposed amendment to H.R. 378 were not only lifted out of context from the authorizing Palisades bill but when lifted were not exactly quoted.

The intent of the reference to Grays Lake in the Palisades bill was simply this: 55,000 acre-feet of water were authorized for use at Grays Lake, but the Palisades bill was not to be construed as an authorizing bill for Grays Lake as well as Palisades. This was strictly straightforward and of no harm to fish and wildlife interests.

There is no relationship between the proposed Burns Creek Dam and potential development at Grays Lake. It is impossible to allocate Burns Creek Dam water to Grays Lake because all the water was oversubscribed by other water users long ago. Taking a portion of the Palisades bill and making it an integral part of or an amendment to the Burns Creek bill is, therefore, no different from doing the same thing with an authorizing bill for a dam in Tennessee or New York.

Wildlife interests are in favor of the Burns Creek project per se, and I feel sure that we can get support for H.R. 378 from organized wildlife groups. Wildlife interests are, however, opposed to H.R. 36 as it is presently written because it at least appears to deter one excellent wildlife resource project—Grays Lake. It will be very easy, for those opposed to the Burns Creek Dam, to promote additional opposition to the project from uninformed wildlife groups. Also, it would be very difficult for us, who support the building of a dam at Burns Creek, and who understand the background of the reference in the bill to Grays Lake, to keep the opposition from developing. Gaining support for a bill containing a reference to Grays Lake would be almost impossible.

I hope this will tend to clarify the issues, and if we can be of assistance in any way please let us know.

Very truly yours,

W. D. MILLER, *President.*

PALISADES DAM AND RESERVOIR PROJECT, ETC.

CHAPTER 1114—PUBLIC LAW 864

S. 2195

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That, the Palisades Dam and Reservoir project, Idaho, heretofore authorized under the provisions of the Federal reclamation laws by the presentation to the President and the Congress of the report of December 9, 1941 (House Document Numbered 457, Seventy-seventh Congress, first session), by the Secretary of the Interior (herein called the Secretary), is hereby reauthorized under the Federal reclamation laws for construction and operation and maintenance substantially in accordance with that report as supplemented and modified by the Commissioner's supplemental report and the recommendations incorporated by reference therein, as approved and adopted by the Secretary on July 1, 1949, and as including upon approval by the President of a suitable plan therefor, facilities for the improvement of fish and wildlife along the headwaters of the Snake River, such facilities to be administered by the Fish and Wildlife Service: *Provided,* That, notwithstanding recommendations to the contrary contained in said report (a) the Secretary shall reserve not to exceed fifty-five thousand acre-feet of active capacity in Palisades Reservoir for a period ending December 31, 1952, for replacement of Grays Lake storage, but no facilities in connection with the proposed wildlife management area at Grays Lake shall be built and no allocation of construction costs of the Palisades Dam and Reservoir by reason of providing replacement storage to that area shall be made until the development and operation and maintenance of the wildlife management area has been authorized by Act of Congress, and

(b) the nonreimbursable allocation on account of recreation shall be limited to the costs of specific recreation facilities in an amount not to exceed $148,000.

SEC. 2. * * *

Senator CHURCH. Our next witness is Mr. Russell Holm, director of the Idaho Irrigation District.

Mr. Holm, we are very pleased to have you come before us.

Mr. HOLM. Thank you.

## STATEMENT OF RUSSELL HOLM, CHAIRMAN, LAND AND WATER DEVELOPMENT COMMITTEE, IDAHO FALLS CHAMBER OF COMMERCE

Mr. Chairman and members of the committee, my name is Russell Holm. I am a farmer and a livestock raiser by occupation. I reside at Shelley, Idaho, with my lovely wife and two sons. I am a member of the Idaho Falls Chamber of Commerce and at present I am chairman of the chamber's land and water development committee consisting of 35 topflight men of the Idaho Falls area. I speak as a representative of the chamber here today.

I am also a director of the Idaho Irrigation District with an acreage of 36,000 acres. We are buying 58,800 acre-feet of space in Palisades Reservoir at $7.75 per acre-foot, or $455,700. We own 13,230 acre-feet of space in Jackson Lake Reservoir, and we nearly own 22,911 acre-feet of storage space in American Falls Reservoir, in addition to the decreed natural flow water from Snake River.

The Idaho Falls Chamber of Commerce is vitally interested in the maximum development and beneficial use of resources of the mighty Snake River, before she bows her neck and heads for the sea. Over the years the chamber of commerce with the people of the Bureau of Reclamation, Corps of Engineers, Soil Conservation Service, and all other groups have worked for the development of our water resources.

Because of my occupation and chamber of commerce responsibilities I am here as a witness favoring the authorization for construction of the Burns Creek Reservoir project. This will provide a storage capacity of 234,000 acre-feet, including 100,000 acre-feet of active storage.

The 100,000 acre-feet of supplemental water would firm up underground stream and surface moisture.

This is indeed a multipurpose project which would provide maximum beneficial use for—

(*a*) Irrigation.
(*b*) Power.
(*c*) Recreation.
(*d*) Fish and wildlife.
(*e*) Sedimentation control.
(*f*) Reregulation.
(*g*) Summer homes.

The reregulation feature of the project is all-important to provide channel and bank erosion control where canal diversion structures are located in the Great Feeder area of Heise and on downstream where flow fluctuation would be controlled to other headgates, also.

Burns Creek space is 50 percent oversubscribed by holders of Palisades Reservoir space. We want this 100,000 acre-feet to provide

supplemental water for lands now under irrigation but with short supplies.

The Idaho Irrigation District needs additional supplemental water for added security for lands now under irrigation and will buy whatever additional space is allocated to us in Burns Creek Reservoir.

Burns Creek power will provide a great potential for future expansion by private development of lands overlying the vast underground streams and lakes of the Snake River Plains area west and south of Idaho Falls. In time of national emergency and as our population grows, there will be a great need for putting these lands under cultivation.

When these lands are irrigated, there will be new homes, new and better schools, purchases of new machinery, and of course, new jobs and new opportunities for people with healthy attitudes who have a desire for work and self-accomplishment.

The Burns Creek project is meritorious, and we urge your favorable consideration of it.

Thank you kindly for the privilege of appearing before this distinguished committee.

Senator CHURCH. Thank you very much for your statement. It is a very succinct and yet comprehensive statement in that it points up the many different features of the dam and multipurposes that it will serve. I appreciate your coming.

Thank you for your testimony.

Mr. HOLM. Thank you.

Senator CHURCH. I must again announce—this is sort of like it used to be in the Army—every hour we had a 10-minute break—there is another live vote on the floor. It is about through. I will be back in 10 minutes

(A brief recess was taken.)

Senator CHURCH. The subcommittee will again come to order, please.

We had last finished with the first group of Idaho witnesses representing largely water users. We have some additional witnesses from the area representing the power users group here to testify on behalf of Burns Creek.

The first is Mr. Edwin C. Schlender, secretary-treasurer of the Snake River Power Association.

Senator CHURCH. You have appeared before our committee in the past in behalf of this project, Mr. Schlender. Your testimony has always been most helpful. We are pleased to see you back again.

## STATEMENT OF EDWIN C. SCHLENDER, SECRETARY-TREASURER, SNAKE RIVER POWER ASSOCIATION

Mr. SCHLENDER. Thank you, Mr. Chairman.

Mr. Chairman, in view of the fact that our position on this project is very well known, and in view of the fact that much of the testimony I have has been covered by others, I would ask that I just have my statement filed in its entirety and only briefly comment on one or two points.

I know there are many witnesses still to be heard.

In order that they can be heard, I would like to make it as brief as possible.

Senator CHURCH. We appreciate that very much.

Mr. SCHLENDER. We only wanted to show that we do believe this is a multiple-purpose project. I have included in my statement a quotation from the report of the Committee of Nine to the water users of district 36, which was given March 6, 1961, at Idaho Falls, showing the conditions on the river at this time, that there is only 13 percent of the normal capacity in storage, which shows how valuable Burns Creek would be if we had it at this time.

I do want to point out that we feel that not enough has been said about what this project will do for irrigation by ground water pumping; that the Snake River Plain is one of the most unique of its type found anywhere around the vast land that extends under more than 2 million acres of inherently fertile soil. The geologists have estimated that there are more than 500 million acre-feet of water in storage under this fertile plain.

You can see that it will take a lot of power to put this water to use by pumping it onto the land.

Therefore, we certainly have an adequate market among the members of my association where we can use all this power for this purpose.

As further proof of this, I have in the back of my statement a chart, which we prepared earlier, early in 1959, for the hearings on this project before the House of Representatives, which shows that we can use all the Burns Creek power among the 20 consumer-owner type utilities in Idaho that buy all of their power from the Bureau now.

Bringing this chart up to date with the load that developed in 1959 and 1960 as actual criteria to work from, we make a new projection which shows that we were too low in our estimates to begin with and that we can use all of this power now by the time Burns Creek comes on the line.

Senator CHURCH. I understand by that that you are referring just to the present customers served by the Bureau, that their power needs by the time Burns Creek comes on the line will take all of the power that Burns Creek will generate?

Mr. SCHLENDER. That is correct, Mr. Chairman.

Senator CHURCH. So, we are not even considering the addition of other preference customers who are not now being served by the Bureau in this matter?

Mr. SCHLENDER. That is also correct. This shows that the addition of Burns Creek power to the area of these Bureau customers could have no effect in any way upon any other generation that might have been planned by any other power suppliers.

Senator CHURCH. What will happen if this additional power is not made available through Burns Creek?

Mr. SCHLENDER. The first thing that would happen is that we would be forced to curtail the growth of this pumping irrigation load which is chiefly the cause of the terrific upswing in the loads of the Bureau's customers, because at the present time, unless we were able to get a reasonable cost power from somewhere else the prices of power that we have been quoted from other suppliers that are in the area are too high.

Senator CHURCH. Do you mean private utilities would not furnish you with additional power at the same rate that you could get it from

the Bureau? Would they furnish you with supplementary power at the same ratio as from the Bureau?

Mr. SCHLENDER. No. We would be very happy if they would, but their price to us for wholesale power is at least twice the rate that we are now paying to the Bureau. This would raise our retail rates so high that the farmers who are making these private investments in developing this land would find it infeasible to do so.

Senator CHURCH. So, this is a very vital matter to the future of the cooperative electrical groups that you represent, is it not?

Mr. SCHLENDER. It is very vital, not only to the properties, but to all of these people who wish to develop this land and are desirous of furthering their economic stability in that manner.

Senator CHURCH. Is it the case that without the Burns Creek project to furnish you with additional power to meet your needs that you would then be dependent upon the private utility sources for that power and would have to deal with them on such terms as they might choose?

Mr. SCHLENDER. It seems that that would be the case at the present time, yes.

Senator CHURCH. Do you think this is one of the reasons why these groups oppose the Burns Creek Dam?

Mr. SCHLENDER. Realistically we feel that this is the only reason why they should oppose it. We can see no other reason than in that they would like to be able to have us depend on them for the power that we need and then the prices that they have would preclude us from competing with them further.

Senator CHURCH. Thank you, Mr. Schlender, for your statement.

Mr. SCHLENDER. We appreciate the opportunity of appearing.

(Mr. Schlender's complete statement follows:)

STATEMENT OF EDWIN C. SCHLENDER

My name is Edwin C. Schlender. I am the secretary-treasurer of the Snake River Power Association with offices in Malta, Idaho.

The Snake River Power Association is composed of a group of REA-financed cooperative, mutual companies, and municipal-type utilities that are engaged in distributing electrical energy to their consumer owners in southern Idaho. Altogether we represent about 25,000 such consumers.

I am here today to testify in support of the multi-purpose Burns Creek project on the upper Snake River in Idaho, the authorization of which you are considering as embodied in Senate bill 66.

We want to show you that there is a need for the Burns Creek project; that it is a sound project and one that should be undertaken immediately as a step toward the full development of our water resources.

First I will touch briefly on the direct benefits attributable to surface irrigation. There are others here today who are more qualified on this subject than I, however, so I will only mention one aspect of this benefit.

Burns Creek will provide 100,000 acre-feet of holdover storage; and, in addition, when operated integrally with Palisades Reservoir, it will produce about 25,000 acre-feet of storage usable annually. The need for this holdover storage is adequate demonstrated by the conditions which prevail at this very time. To acquaint you with these conditions, I will quote the opening paragraph of the annual report of the Committee of Nine given to the water users of district 36 of the Snake River on March 6, 1961, at Idaho Falls.

"The year 1960 was one of considerable water shortage on Snake River. A serious deficiency in precipitation during the winter months, together with a hot, dry summer, resulted in the lowest natural flow for many years and an all-time high for canal diversions in some areas. Withdrawal of water from Americans Falls Reservoir started on April 23, with no further normal flow

available for its 1921 priority right. The so-called floodwater rights were cut off on June 2, 1960, compared to July 8, 1959. Rights were cut back to 50 percent of the June 10, 1890, priority September 1 to 5. Except for above normal precipitation in August it would have been necessary to cut part of 1889 rights. Palisades Reservoir was drawn down to 24,000 acre-feet of usable storage late in September. This represented a draft of over 900,000 acre-feet during the irrigation season. Jackson Lake contents was around 400,000 acre-feet at that time so that Palisades Reservoir permitted the use of 500,000 acre-feet that would not have been available under conditions prior to its construction. Furthermore, without Palisades Reservoir, Jackson Lake would have been drawn down to very low contents on September 30, 1959, and would not have filled in 1960. Even so, many canals used all their stored water and several ran on a curtailed basis during the summer to stretch their available supply. Combined usable storage in the reservoir system on September 30 was 527,000 acre-feet or 13 percent of capacity."

From the foregoing it can be seen that if we had the 100,000 acre-feet of holdover storage there now, it might make the difference whether many farmers can raise a crop next year or not. It might prevent a loss in 1 year that would equal a substantial part of the initial investment for the project.

In addition to the benefits by direct surface irrigation there are perhaps even greater indirect benefits to irrigation through the use of the power development at Burns Creek for pumping underground water.

It should be noted that the peak of the pumping load occurs at the time that the most power can be produced from waters released for surface irrigation.

"Water by wire" is the term we have come to use in Idaho and one can easily appreciate that by this method we can develop the water wherever it is needed, either for supplemental water on existing farmlands or development of new lands.

The Snake River Plain has been declared by geologists to be one of the most unique found anywhere, in that vast lava aquifers extend prolifically under more than 2 million acres of inherently fertile soil. Surveys taken over the last 60 years show that the water table has been gradually rising.

The district geologists at Boise, in charge of the Ground Water Branch of the U.S. Geological Survey, have estimated that there is 500 million acre-feet of water in storage under the plain.

Thus, it can be seen that a great amount of electrical energy can be used to develop this wonderful resource, but a stable, low-cost, long-term power supply must be assured to farmer-developer so that he will feel secure in investing his money in this enterprise.

The increase in the powerloads of the customers of the Bureau of Reclamation reflect the tremendous upswing in the development of ground water pumping.

The recent increase has been most notable in the service areas of the Lost River Electric Co-op and the Fall River Electric Co-op and the Raft River Electric Co-op, since they have been able to buy power from the Palisades project. Figures available from the Raft River Electric Co-op reveal the following trend:

Kilowatt-hour consumption for irrigation in 1957 equaled 15 million while in 1960 it was 29,000.

Approximate acre-feet of water pumped in 1957 was 50,000 and in 1960 was 90,000.

Total acreage irrigated by pump in 1957 was 18,000 and in 1960 was 35,000. Some of this is supplemental water for existing farmlands.

There is no adequate formula developed to show the benefits derived from reclamation by pump irrigation with the power developed by hydropower projects on the Snake River such as Burns Creek, but those of us who live there and work in this field know how tremendously important it is to our economy. All of the power output from Burns Creek can profitably be used by the 20 preference customers of the Bureau of Reclamation who now buy all of their power from the Bureau, most of them having done so for the past 50 years.

Furthermore we can use it all as fast as Burns Creek can be built and the generators installed. This can be illustrated by the accompanying chart which was first made in 1959 for the hearings before the Subcommittee on Irrigation and Reclamation in the House of Representatives.

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In mid-1959 we used as a basis the actual load growth of the Bureau's customers for the 5 years preceding and assuming the trend would continue, projected them into the future. Now, to bring the chart up to date using the actual loads that existed in 1959 and 1960 we find we were too conservative as these figures fell above our projected curve.

By projecting from the new actual figures as a basis you can readily see we will absorb all of Burns Creek power as fast as we can get it built, thus it is clearly shown that Burns Creek will not put any surplus hydrogeneration on the market in southeastern Idaho that would alter in any way the present plans of other power suppliers to add to their own generation. To the best of my knowledge none of our members of the Snake River Power Association have filed any of their long-range estimates of load with any other supplier.

The members of our association are equally satisfied that the Bureau of Reclamation has adequately proven the feasibility of the Burns Creek project, and we are also satisfied that it will be equally as important to the development of the economy of our area as the other projects that have been developed on the Snake River.

We have followed with interest the valuable information that has come out of the Select Senate Committee on Natural Resources, and one of the most important recommendations to come from this committee is that we should store water wherever and whenever it is possible.

Therefore, we are agreed with all the other people in Idaho that Burns Creek is a valuable and sound project, any other outside selfish interests in opposition not withstanding, and we have great confidence that when the members of this committee and the Congress have fully evaluated this project that they, too, will agree with us and take action to put this project under construction.

We appreciate the opportunity to express the foregoing views in behalf of the Snake River Power Association.

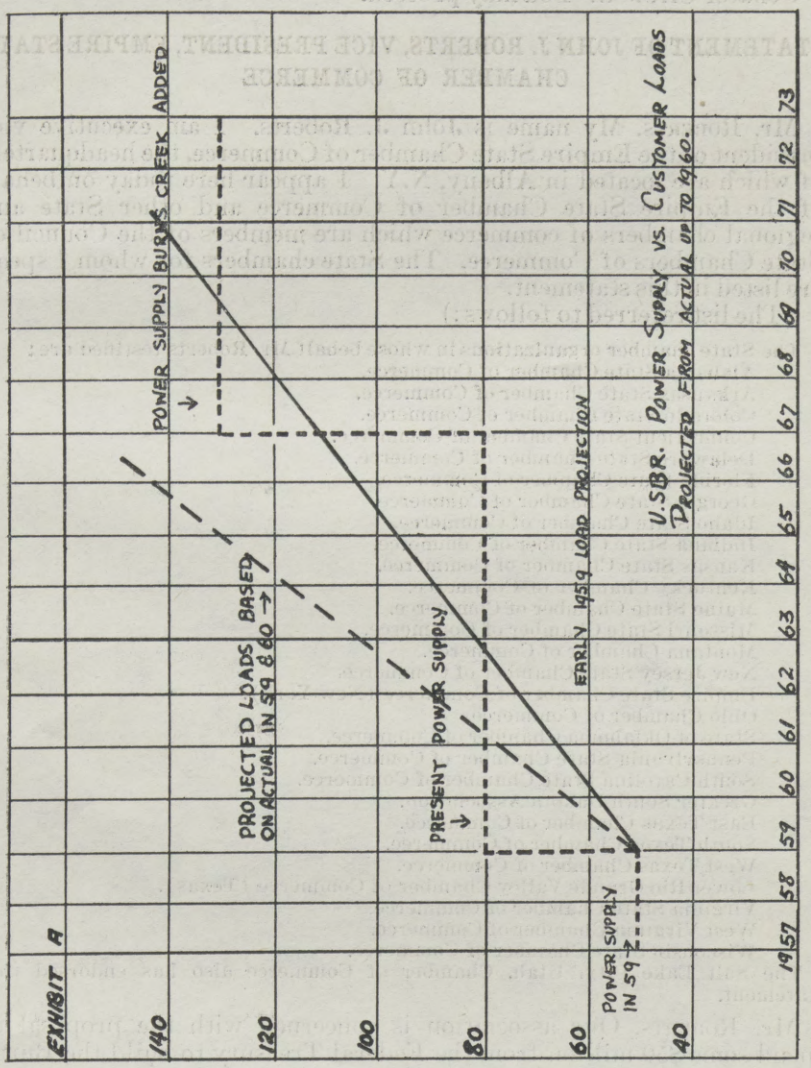
EXHIBIT A
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1957 58 59 60 61 62 63 64 65 66 67 68 69 70 71 72 73
POWER SUPPLY BURNS CREEK ADDED
PROJECTED LOADS BASED ON ACTUAL IN 59 & 60
PRESENT POWER SUPPLY
EARLY 1959 LOAD PROJECTION
POWER SUPPLY IN 59
U.S.B.R. POWER SUPPLY VS. CUSTOMER LOADS
PROJECTED FROM ACTUAL UP TO 1960.

Senator CHURCH. I am now going to call out of order, Mr. John J. Roberts, who is here in opposition to the project, and who speaks for the Council of State Chambers of Commerce. I understand he has a train to catch and must be heard now or he will miss his train.

Mr. ROBERTS. I appreciate the opportunity of being called out of order.

Senator CHURCH. You may proceed.

## STATEMENT OF JOHN J. ROBERTS, VICE PRESIDENT, EMPIRE STATE CHAMBER OF COMMERCE

Mr. ROBERTS. My name is John J. Roberts. I am executive vice president of the Empire State Chamber of Commerce, the headquarters of which are located in Albany, N.Y. I appear here today on behalf of the Empire State Chamber of Commerce and other State and regional chambers of commerce which are members of the Council of State Chambers of Commerce. The State chambers for whom I speak are listed in this statement.

(The list referred to follows:)

The State chamber organizations in whose behalf Mr. Roberts testified are:

Alabama State Chamber of Commerce.
Arkansas State Chamber of Commerce.
Colorado State Chamber of Commerce.
Connecticut State Chamber of Commerce.
Delaware State Chamber of Commerce.
Florida State Chamber of Commerce.
Georgia State Chamber of Commerce.
Idaho State Chamber of Commerce.
Indiana State Chamber of Commerce.
Kansas State Chamber of Commerce.
Kentucky Chamber of Commerce.
Maine State Chamber of Commerce.
Missouri State Chamber of Commerce.
Montana Chamber of Commerce.
New Jersey State Chamber of Commerce.
Empire State Chamber of Commerce (New York).
Ohio Chamber of Commerce.
State of Oklahoma Chamber of Commerce.
Pennsylvania State Chamber of Commerce.
South Carolina State Chamber of Commerce.
Greater South Dakota Association.
East Texas Chamber of Commerce.
South Texas Chamber of Commerce.
West Texas Chamber of Commerce.
Lower Rio Grande Valley Chamber of Commerce (Texas).
Virginia State Chamber of Commerce.
West Virginia Chamber of Commerce.
Wisconsin State Chamber of Commerce.

The Salt Lake City, Utah, Chamber of Commerce also has endorsed this statement.

Mr. ROBERTS. Our association is concerned with the proposal to spend some $50 million from the Federal Treasury to build the Burns Creek project. We in New York feel entitled to be concerned about the justification on any Federal project since about one-seventh of the Federal tax burden is borne by the people of the State of New York. The State chambers of commerce as a group are concerned about this legislation, S. 66, for two fundamental reasons.

First, because it provides for a substantial expenditure of Federal funds for a project which is not clearly essential and which at best is of only marginal economic feasibility.

Second, because its primary and almost sole justification is to supply anticipated future power needs of present Federal power customers in an area where existing electric companies are prepared to supply all foreseeable needs. This bespeaks of public utility responsibility for the Interior Department, and that we strongly oppose.

For the facts of Burns Creek we have relied principally on the report of the Senate Interior Committee on this legislation in the 86th Congress; that is, Senate Report No. 439 dated June 29, 1959. However, our conclusions differ from those of the committee's majority as stated in that report.

Actually, this project is primarily and almost wholly a power project. About 98 percent of its total $50 million cost is charged to power. Less than 2 percent is charged to irrigation and no part of the cost is charged to reregulation of water flow from the Palisades project which is 30 miles upstream.

The Burns Creek Dam would provide 234,000 acre-feet of water storage of which only 17,000 acre-feet would be used for reregulating purposes. While 100,000 acre-feet is considered as being for irrigation purposes, it is not intended to irrigate any new land. Instead, it is only intended to serve as supplemental long-term storage which might be used during exceptionally dry years that occur two or three times in a 50-year period.

Testimony in the House Interior Committee hearings indicates that reregulation of waterflow from the Palisades project, to prevent damage downstream, could be accomplished with a 17,000 acre-feet storage dam at a cost of about $5 or $6 million.

Thus, the primary purpose of the Burns Creek project obviously is to produce electric power, and for that reason the project would involve expenditures of almost $50 million rather than the $5 or $6 million outlay that would take care of reregulation needs, if such needs do in fact exist.

Moreover, the project would add 90,000 kilowatts of electric capacity in southeastern Idaho where two electric companies now operate and are able to supply power needs in the foreseeable future. In fact, one of these companies, Utah Power & Light, has already made firm plans and commitments to build a steam generating plant with an ultimate capacity of 300,000 kilowatts to serve the same area where power from the Burns Creek project would be marketed.

But some Bureau of Reclamation officials and a majority of the Senate Interior Committee in 1959 were not satisfied with having the growing power needs of the area taken care of by the electric companies. They took the view that all present power customers of the Bureau of Reclamation in the area have a right to look to the Federal Government for their growing needs. This is clearly the assumption of a public utility responsibility on the part of the Bureau, such as has already been assumed by TVA. If Congress acquiesces in this instance, it could be used as a precedent for eventual Federal utility responsibility in all areas where power is produced at Federal projects.

Adoption of this philosophy would lead to substantial additional tax free Federal power in competition with taxpaying electric companies. It would mean large future expenditures of Federal funds for the purpose of providing subsidized power, at the expense of taxpayers generally, to meet the growing power needs of all present wholesale and retail customers of the Federal Government.

The Burns Creek project is nearly all for electric power. It is not a multipurpose project in any substantial sense of the term. Its irrigation and other nonpower features are relatively so small as to be little more than an excuse for some convenient multipurpose language in the bill.

Up to now, the Department of the Interior has not been permitted to build power generating facilities other than as part of multipurpose projects.

In addition, from figures given in the Senate report, it appears that if interest is figured at 2½ percent per year, the total cost of the Burns Creek project will be less than the benefits by a safe margin; but that if the interest is figured at 3 percent, as required by reclamation law for power facilities, then the relation between total costs and benefits becomes highly problematical.

It seems to be overlooked that interest rates of 2½ percent and 3 percent belong to years gone by, not to the present time. The American people nowadays could not possibly be persuaded to buy long-term bonds of the U.S. Government at yields of 2½ percent or 3 percent. The present market for such bonds requires yields near 4 percent.

Whether we like it or not and whether we agree about the reasons for it or not, the fact is that interest costs to the Federal Government are almost 4 percent for long-term borrowing. I suppose that so long as creeping inflation continues, interest rates will have to stay high to attract investors.

Today, no new long-term Federal project can truthfully be said to be able to pay for itself unless its revenues cover interest of almost 4 percent as well as original costs. Burns Creek cannot meet such a criterion.

S. 66 provides that the Burns Creek project shall be integrated financially—as well as operationally—with the neighboring Palisades Dam project. The latter is said to be doing well financially. This integration gimmick may conceal the losses of Burns Creek by offsetting them against surpluses of Palisades but that does not cure the losses. The usefulness of the Burns Creek project is simply not great enough to support its high cost of construction. Burns Creek, therefore, represents a new turn in Federal policy—another turn toward intensified Government competition in the electric utility business.

The local result of the Burns Creek project would be to provide electric power, on a highly subsidized basis, for a favored little group of power users—the "preference customers."

We in New York pay for our own power developments. We do not see why we should be asked to help pay for power developments in other States—especially where the circumstances are as unsatisfactory as they are at Burns Creek. We, therefore, earnestly request your committee to reject the bill, S. 66.

Senator CHURCH. I know that you have listed the Idaho State's Chamber of Commerce. On what authority have you done that?

Mr. ROBERTS. The Council of State Chambers, located here in Washington, has an authorization of the executive vice president of the Idaho State chamber.

In fact, the practice is before any authorization——

Senator CHURCH. Do you have an authorization from the chamber announcing the Idaho State Chamber of Commerce as opposed to the project?

Mr. ROBERTS. That is my understanding, yes.

Senator CHURCH. It is curious. We checked with them today and they are unable to supply us with a resolution and are unable to state to us, upon our inquiry, that they have taken such a position.

Mr. ROBERTS. I would be glad to, immediately upon my leaving here, call the State chamber council, which, as I say, has headquarters in Washington, and have brought to your office tomorrow, the authorization from the State chamber.

Senator CHURCH. We may be talking about two different things. You may be talking about an authorization that gives blanket authority for the council to speak for the chamber on various matters coming before the Congress.

Are we talking about such an authorization or about a specific decision on the part of the Idaho chamber opposing the project?

Mr. ROBERTS. The council practice has been that when they make a presentation on any particular subject, they will inform the various members, the various State chambers, what they are going to say and ask for authorization to speak on that particular project.

Many times, even in our own chamber, we may not agree with the council and, as a result, are not given the authorization. But, we do not give them a blanket authorization to speak for us on any particular matter. Each time they want to make a statement, they ask us for an authorization to do so.

Senator CHURCH. I would be pleased if you would furnish that to the committee, because a number of very important local chapters of the chamber of commerce in Idaho have given vigorous support to this project.

Mr. ROBERTS. I would be happy to do that.

Thank you for taking me out of order.

Senator CHURCH. Surely. I hope you make your train.

Mr. ROBERTS. Thank you.

Senator CHURCH. The next witness is Mr. William Trommershausen, of the Snake River Power Association.

As I recall, Mr. Trommershausen, you gave very useful and effective testimony on the last occasion that the Burns Creek project was before the committee. I am happy to welcome you again.

## STATEMENT OF WILLIAM E. TROMMERSHAUSEN OF R. W. BECK & ASSOCIATES, SEATTLE, WASH.

Mr. TROMMERSHAUSEN. Thank you, Mr. Chairman.

I ask permission to file my statement. I will not read it. It is primarily technical background data. I can summarize it in a couple of minutes.

As engineering consultants for the Snake River Power Association, we make continuing studies concerning their future power requirements. Our judgment expressed in this paper is an independent judgment that the load growth of the Snake River Association members and the other preference customers in southern Idaho that have an interest in Burns Creek are such that they will use the entire output of this project as soon as it can come on the line.

We have also provided data to indicate what the rate of growth would be based upon the factors used by the Federal Power Commission in its southern Idaho studies. In running that factor through, we find that there is about a year's difference in the time that the load growth would require the full output of the project.

For the benefit of Senator Hickey, may I say that we represent Lower Valley Power & Light Co., as professional consultants. They do count on getting an allocation of Burns Creek if and when the project is authorized and constructed.

Senator HICKEY. How about the Jackson Hole?

Mr. TROMMERSHAUSEN. The Lower Valley serves the entire area, including Jackson Hole, and that is one of their most rapidly growing areas. They have asked us to undertake an evaluation of several small hydro sites on tributaries of the Snake River in Wyoming to see whether we can bring in a power supply, an interim power supply, at rates under the cost of purchasing wholesale power from the private utilities in the area. Those studies have not reached the point where we can give any definitive answers.

Now, with respect to the evaluation of Federal projects, we have for the past 5 years been working on a project in Nebraska which involves a great deal of pumping power, and which has been and will be again before this committee. In that project we found there were some problems in some of these unusual projects that cannot be evaluated by Federal procedures.

So, for your convenience here, I have worked through a couple of examples that will indicate to you how we feel the present procedures do not fully measure these projects. I might say that the recommendation I make on the bottom of the next to the last page of my statement perhaps should be clarified.

We do not have enough data at hand to determine what the direct benefits would be per acre for the lands to be served by the summer pumping power from the Burns Creek project, and we believe that if the Bureau would take the benefits that it worked up for the Minidoka Northside project, which is probably comparable with the type of agricultural land that is irrigated in southern Idaho from pumping power, and not make a project out of it but just give that simple irrigation benefit figure, by whatever number of acres of land they finally feel the summer pumping power from Burns Creek and Palisades will develop, I think you will get an idea of what the possible irrigation benefit is from lands irrigated by summer pumping power, which benefits are not evaluated by the present Federal procedures.

That ends my statement, Mr. Chairman.

Senator CHURCH. Thank you, Mr. Trommershausen. Your full written statement has been included in the record. We appreciate your having summarized your written statement.

Are there any questions? If not, thank you.

(Mr. Trommershausen's prepared statement follows:)

STATEMENT OF WILLIAM E. TROMMERSHAUSEN OF R. W. BECK & ASSOCIATES ON BEHALF OF SNAKE RIVER POWER ASSOCIATION

My name is William E. Trommershausen. I am a partner and executive engineer of R. W. Beck & Associates, consulting engineers and analysts, with offices at Columbus, Nebr., and Seattle, Wash.

Our firm has been employed by the Snake River Power Association from time to time since 1957 to make power supply studies. As heretofore discussed, this association is made up of REA-financed cooperatives, mutual companies and municipal customers in southern Idaho, all of whom are preference customers of the Bureau of Reclamation. I am testifying today on the following two items which are related to the proposed Burns Creek multipurpose project under consideration by the committee:

1. Market for Burns Creek power;
2. Relationship of pumping power to irrigation development.

1. MARKET FOR BURNS CREEK POWER

We have followed the load growth of the southern Idaho preference customers, some of whom are not members of the Snake River Power Association. According to records made available to us, the load growth in 1957 and 1958 for REA cooperatives was about 15 percent per year. This is about twice the national average rate of growth for the utility industry.

In the period 1964 to 1970 we estimated a rate of growth of about 11.5 percent a year for the group of 20 preference customers. The comparable figure used by FPC for southern Idaho in the 1958 308 report for the Columbia River Basin system was 8 percent.

From the foregoing, it seems clear to us that there is reasonable assurance that the load growth of the preference customers in southern Idaho will use the entire firm power output of the combined Palisades-Burns Creek projects by 1970.

It should be noted that some of the preference customers are already exceeding their estimates and may be short of power before Burns Creek can possibly get into production unless some pooling of power allocation can be accomplished. Lost River Electric Cooperative, Inc., will testify here today concerning their present power supply situation. Lower Valley Power & Light Co.—a preference customer southwest Wyoming—expects to exceed its Bureau power allotment and has employed our firm to study the economic feasibility of a small power development in the Jackson Hole County of Wyoming, which may serve as an interim supplemental power supply to carry them over until Burns Creek can be brought into production. The feasibility of this local hydroelectric development has not yet been determined.

In summary, there is an assured market for all the firm power that can be developed from the combined Palisades-Burns Creek projects. By staggering the installation of the Burns Creek generating units as heretofore considered by the Bureau of Reclamation, there should be no surplus hydro generation put on the market in southeastern Idaho that would alter in any way the present plans of other power suppliers to add to their own generation to serve their own needs.

2. RELATIONSHIP OF PUMPING POWER TO IRRIGATION DEVELOPMENT

It has been our belief that the present methods of evaluating economic feasibility and making cost allocations do not properly take into account the benefits that result from pump irrigation. We will attempt to develop this premise for the committee by discussing a couple of examples.

In his 1960 testimony before the House Committee on Interior and Insular Affairs, the regional director of the Bureau of Reclamation testified that the 154 million kilowatt-hours of summer firm pumping energy that would be made available from a combined Palisades-Burns Creek project would irrigate by pumping an estimated 75,000 to 100,000 acres of new land, based upon the pumping heads expected in the area.

If an irrigation project of 100,000 acres was to be developed by conventional reclamation methods, the cost to the Federal Government through the appropriation procedures would be in the range of $300 to $400 per acre. This would represent a $30 to $40 million reclamation project. In the case of Burns Creek,

it is proposed that the Federal Government would appropriate some $45 million for the construction of the entire multipurpose project of which 98 percent would be repaid with interest by the sale of hydroelectric power. By providing the potential irrigator a long-term supply of firm hydroelectric summer pumping power at stable costs, it is possible for him to make his own investment in a well, a pump, irrigation pipe, and ground leveling. The only Federal investment, therefore, in the development of some 75,000 to 100,000 acres of new irrigated land by the local irrigator is that made for the construction of the Burns Creek project. The electrical distribution facilities to get the pumping power from the Bureau substation to the farm pump will be the responsibility of others. We submit that such a satellite irrigation development is not properly measured by present Federal procedures.

Perhaps we can gain an understanding of the cost allocation problem by making a simple comparison of irrigation benefits. Disregarding the new lands that will be developed with hydroelectric pumping power from the Burns Creek-Palisades project, the Bureau of Reclamation made a finding using conventional methods of project evaluation that the 100,000 acre-feet of irrigation storage in the Burns Creek project will have a measurable annual benefit of $33,000 per year (based upon incremental benefits—page 25, Burns Creek project report of April 4, 1957). The comparable annual power benefit for Burns Creek was $2,851,000.

The Farwell project in Nebraska, a 52,500-acre conventional reclamation project which was recently authorized by the Congress, had a total irrigation benefit (direct and indirect) of $39.27 per acre. This results in a total annual irrigation benefit for this project of $2,061,000.

The Ainsworth project in Nebraska, a 33,900-acre conventional reclamation project which was also recently authorized by the Congress, had a total irrigation benefit of $51.39 per acre, or a total annual irrigation benefit of $1,747,000.

If for comparative purposes a direct benefit of $30 per acre per year is assumed for the new irrigation development that is possible under the Burns Creek project with hydroelectric pumping power and a reasonably conservative acreage of 75,000 acres is assumed, the total annual irrigation benefits would be $2,250,000. When the figure of $2,250,000 of possible irrigation benefits for Burns Creek is compared with the previously determined power benefits of $2,851,000 we can see that there is a reasonable balance between power and irrigation benefits in the Burns Creek project.

It should be recognized that the above computation is an example only as present Federal procedures apparently do not permit the Bureau of Reclamation to proceed in this manner. We believe that the committee would find it of interest to have the Bureau of Reclamation compute the irrigation benefits on a per acre basis for the new lands that can be irrigated from Burns Creek hydroelectric power and thereby provide the Congress with a new benchmark from which to evaluate the Burns Creek project. We recommend this course of action by the committee.

In summary, it is our opinion that the cost allocation procedures used for the Burns Creek project do not fully reflect the amount of direct and indirect irrigation benefits. The $849,000 presently allocated to irrigation for the Burns Creek project does an injustice, in our opinion, to cost allocation procedures. Since we find no existing Federal procedure that will give reasonable weight to the development of irrigated lands by local initiative and local capital when hydroelectric summer pumping power is made available at reasonable cost, a somewhat greater burden is placed on the congressional committees when evaluating a project such as Burns Creek.

With due recognition to the foregoing, we respectfully request that the committee give special consideration to the evaluation process for the Burns Creek project rather than rely solely on the results obtained from the conventional Bureau of Reclamation evaluation, which procedure is not broad enough in its scope or application to measure the development of new lands by pumping. As the reclamation program proceeds to develop the more complex multipurpose projects we believe that the Congress will find it necessary to constantly reappraise the evaluation procedures being used by all Federal agencies who participate in natural resource development.

We appreciate an oportunity to express the foregoing views on behalf of the Snake River Power Association.

Senator CHURCH. Our next witness is Mr. Hintze.

## STATEMENT OF M. M. HINTZE, BIG LOST RIVER VALLEY, MACKAY, IDAHO

Mr. HINTZE. Mr. Chairman and members of the committee, I am M. M. Hintze, from Big Lost River Valley, Mackay, Idaho.

I am a member of Lost River Electric Co-op, vice president of Snake River Power Association, and a member of the board of directors of the Idaho State Reclamation Association.

I have farmed all my life; therefore, I have a great interest in the economy of the valley.

We have in Lost River Valley about 30,000 acres of good farmland which has not enough water available except through pumping additional subterranean water, of which there is a good supply.

A large amount of power, such as that produced by Burns Creek, can very profitably be used in our valley for irrigation and will substantially stabilize a sound economy for the whole valley.

At the completion of the 1960 farming season, we had 76 pumps running at full capacity which were producing 301 cubic feet of water. This amount of water was greater than the entire flow of the river at that time.

This year we are anticipating an additional 30 to 40 more pumps. These pumps are responsible for maintaining the economy of our valley. Therefore, we continually need more low-cost electricity to turn our pumps.

I respectfully ask this committee to approve the legislation which will make it possible for Burns Creek to be built.

I also have a letter from the watermaster at Lost River Valley, DeVon R. Jensen, that I would like to make a part of my testimony and put into the record.

Senator CHURCH. That request will be granted.

I must announce again with my regrets that another vote is being taken on the Senate floor. We will have to call another 10-minute recess.

Before doing so, Senator Dworshak has called to my attention the memorial of the Legislature of the State of Idaho, in which both houses concurred, in endorsement of the Burns Creek project and urge the Congress to approve it.

The resolution of the legislature will be included in the record following this letter of Watermaster DeVon R. Jensen.

(The letter and resolution follow:)

WATER DISTRICT 27,
*Mackay, Idaho, March 8, 1961.*

Mr. M. M. HINTZE,
*Mackay, Idaho.*

DEAR MR. HINTZE: At your request, I am pleased to make a report on the water pumping in the Big Lost River Valley, located in Butte and Custer Counties of Idaho.

During the 1960 season there were 76 pumps operating, which pumped about 301 cubic feet per second. There will be about 31 new wells ready to pump by irrigation season if power is available.

There are 30,000 acres in the valley in need of supplemental water, and an additional 20,000 acres from which the water has been transferred which is in need of water if the underground water and power are available.

Very truly yours,

DEVON R. JENSEN, *Watermaster.*

IDAHO JOINT MEMORIAL

*To the honorable Senate and House of Representatives of the United States in Congress assembled:*

We, your memorialists, the Legislature of the State of Idaho, respectfully represent that:

Whereas the multiple-purpose use of the water resources of the Snake River has become the backbone of the economy of Idaho during the past more than 50 years, the Palisades Reservoir and powerplant, which is located on the upper Snake River near the eastern boundary of Idaho, being the most recent addition to this multiple-purpose use; and

Whereas at the time of and ever since the planning of the Palisades project it was and has generally been recognized by the Federal Power Commission and other Government departments, as well as by many persons and groups interested in the development of the resources of this State, that the maximum benefits to the Nation and to the State of Idaho in terms of power production and water storage for irrigation purposes will be attainable from the Palisades project only through the construction of a reregulating dam downstream to link irrigation storage releases with the powerplant of the Palisades project, and the Burns Creek project was designed for integration operationally and financially with the Palisades project in order to attain the maximum of complementary benefits from both projects; and,

Whereas there is urgent need in the State of Idaho for greater power production and increased reservoir capacity for the storage of water for irrigation purposes; and,

Whereas the Burns Creek project was determined to be feasible by the Secretary of the Interior in his report, dated February 26, 1957, and both the Department of the Interior and the Bureau of the Budget reported favorably on legislation to authorize this project by letters directed to the chairman of the Senate Committee on Interior and Insular Affairs of the 85th Congress, which committee reported favorably on the bill (S. 2757) in the 85th Congress which would have authorized the construction of the Burns Creek project, and recommended that it do pass: Now, therefore, be it

*Resolved by the 36th session of the Legislature of the State of Idaho, now in session, the Senate and House of Representatives concurring,* That we most respectfully urge the Congress of the United States of America, to proceed with all due speed to enact legislation similar to Senate bill 2757 of the 85th Congress authorizing the construction, operation, and maintenance of a reregulating reservoir and other works at the Burns Creek site in the Upper Snake River Valley, Idaho, and to implement such authorization with necessary appropriations; and be it further

*Resolved,* That the Secretary of State of the State of Idaho be, and he hereby is, authorized and directed to forward certified copies of this memorial to the President and Vice President of the United States, the Speaker of the House of Representatives of the Congress, and to the Senators and Representatives representing this State in the Congress of the United States.

Senator CHURCH. Before we recess for 10 minutes, I want to call the attention of those of you who are here to a group of Idahoans who have come in. They are attending the Farmers Union Convention here in Washington. We are very pleased to have them.

We want to welcome them at this time. We regret that we have to interrupt our proceedings to get over to vote.

Senator HICKEY. Mr. Chairman, I wonder if I may put into the record a statement of the Wyoming Mining Association?

Senator CHURCH. Certainly. The statement will be included in the record, without objection.

Thank you, Mr. Hintze, we will now recess for 10 minutes.

(A short recess was taken.)

(The statement follows:)

STATEMENT OF THE WYOMING MINING ASSOCIATION, R. W. BEAMER, EXECUTIVE SECRETARY

The Wyoming Mining Association is a trade organization composed of the major mining operations in the State of Wyoming. These include mines producing coal, bentonite, iron ore, trona, uranium, limerock and quarry products used in the manufacture of cement.

This association wishes to express its opposition to S. 66 which proposes the construction of a hydroelectric dam and powerplant at Burns Creek on the Upper Snake River in Idaho, not far from the Wyoming border, by the Bureau of Reclamation. We are interested in resource development and particularly in the development of Wyoming's mineral resources. Our vast reserves of coal make possible the economic generation of electricity for use in Wyoming and adjacent States. This can be accomplished through private enterprise without any expenditure of the taxpayers' money. In this way, ample electric power can be provided for the area and our coal resources may be utilized in our economic growth.

Our objections to S. 66 may be listed specifically as follows:

1. The Burns Creek power project will require the expenditure of the taxpayers' money. The needed power can be provided by coal-burning powerplants built with private funds under the free enterprise system. With the need for Government money for other more essential purposes and the everpresent dangers of inflation, this should be sufficient reason for the defeat of S. 66 and similar proposals.

2. Coal-burning powerplants, if of sufficient size, can produce electricity economically.

3. Private power facilities do not require unrealistic, subsidized interest rates at the taxpayers' expense. They pay local, State, and Federal taxes and help maintain the tax base so essential to modern day needs.

4. The construction of the Burns Creek power project with 90,000 kilowatt capacity will place the U.S. Government in direct competition with the power companies in the area. It will limit the size of any coal-burning powerplants in the area and thus will affect the efficiency of their operation.

5. The project will adversely affect the economy of Wyoming. It is estimated that it will mean the loss of a market for 250,000 tons of coal annually to this State.

6. The proposed project will mean a reduction in job opportunities for coal miners who would be employed in producing the coal for the coal-burning powerplants.

7. The Palisades Dam was constructed to store water for irrigation. The power produced was incidental and was made available to users in the area. The Burns Creek proposal is primarily to provide additional power. The Bureau of Reclamation admits that it is strictly a power project. We do not agree that it is a responsibility of the Government to furnish additional subsidized power when power needs can be met otherwise. This is not reclamation and is not a proper function of the Bureau of Reclamation.

8. We are opposed to the furnishing of additional subsidized power to cities and towns. Such sales may be justified where surplus power is incidental to a reclamation project, but we do not agree that all of our people should be taxed to furnish additional power to favored cities and industries.

9. No assurance is given that there will not be a request at a later date for a reregulation dam below the proposed Burns Creek Dam. The argument has been used that a reregulation dam is needed below the Palisades Dam. We suggest that the Burns Creek project be limited to a reregulation dam.

10. Large amounts of mineral royalty funds from mineral production on Federal lands in Wyoming are given annually to the Bureau of Reclamation. It does not appear fair nor just that these funds should be used by the Bureau in a manner that will adversely affect the economy of Wyoming.

Our conviction is that the best interests of the Nation can be served if the investor-owned, taxpaying power companies are given an opportunity to develop large, efficient plants. Such a policy will enable our State, as well as other coal producing States, to utilize their coal resources in developing a sound economy.

Your consideration of the views expressed above will be appreciated.

Senator CHURCH. The subcommittee will be in session, please.

The next witness is Mr. Ed Paskett.

Mr. Paskett, I take a great deal of pleasure in welcoming you to the hearing. I am sorry you have been so delayed in your appearance.

Mr. PASKETT. Thank you. I would prefer to have my statement entered into the record in full, and I will make a short summary.

Senator CHURCH. Your full statement will be printed in the record.

## STATEMENT OF EDWIN H. PASKETT IN BEHALF OF THE RAFT RIVER RURAL ELECTRIC CO-OP

Mr. PASKETT. I am Edwin H. Paskett. I reside at Malta, Idaho. I have been there for some 40 years. I am a farmer.

At the present time I am farming and distributing petroleum products. I am president of the Idaho Cooperative Utilities Association; a member of the board of the Rural Light Services at Portland, Oreg., which gives services in Washington, Oregon, and Idaho; a member of the board of directors of the Raft River Rural Electric, and president of the board at the present time, in whose behalf I am here today.

Our co-op is in an area that is very arid. We have some 40,000 acres that are irrigated either supplementally or entirely through pump irrigation in Idaho. Adjacent to it, in northwestern Utah and in northeastern Nevada, we also have lines; and irrigation is taking hold there, with pump irrigation quite strong, especially in the Nevada section around Montello.

This has required a lot of power and it has become quite a problem. We have had lengthy negotiations with Idaho Power in the past, and as yet have not been able to come to an agreement on power supply. If Burns Creek is approved and built, it will give supplemental irrigation to those rights along the Snake that are in need of this 100,000 acre-feet of storage at certain times, such as at the present.

It will provide reclamation with the low cost power that will provide pump power. In our area alone, in our valley alone, we have some 250,000 acres yet to be developed with no water on it. It is impossible to develop that land unless we can get a rate that they can afford to pump with.

In that area there has been much increase in taxes from pump irrigation. We pay our taxes as a cooperative. Last year our taxload increased 16 percent in the State of Idaho, and the valuation within the county from pump irrigation has raised considerably.

With this type of reclamation we also have work for the laboring class of people. It puts people to work and provides homes, and the economy of the area is built up.

I believe that is all I have at the present time.

Senator CHURCH. Thank you very much, Ed. We appreciate your statement.

Mr. PASKETT. Thank you.

(Mr. Paskett's prepared statement follows:)

STATEMENT OF EDWIN H. PASKETT IN BEHALF OF THE RAFT RIVER RURAL ELECTRIC CO-OP

It gives me great pleasure to appear before this honorable committee and testify in favor of the Burns Creek project located on the upper Snake River in the State of Idaho in behalf of Raft River Rural Electric Co-op, Inc.

My name is Edwin H. Paskett. I have resided at Malta, Idaho, for over 40 years. Of this time, I have farmed for 23 years, served as watermaster over water district 8–B for the State of Idaho over a 6-year period. I have served on the board of directors of the Raft River Rural Electric Co-op, Inc., for some 13 years and have been the president for the last six terms. I am also the president of the Idaho Co-op Utilities Association for the past 3 years.

Through my activities while serving as watermaster for the State of Idaho and my activities in other fields, I am well aware of the dry arid condition of the southern portion of Idaho. This has always been a handicap to the region. The streams flowing from the watersheds are in large seasonal and pretty well all allocated for irrigation to the lands adjacent thereto. This seasonal condition in normal years provides ample water for irrigation for said lands in the early months of the season. However, in the hot summer months of July, August, and later, the water supply is very short or entirely gone, leaving a very serious problem of providing supplemental water supplies.

In this, the Raft River Valley, we have a very rich productive soil covering an area 40 miles long and an average of 15 miles wide. You can see from these distances there are vast possibilities for reclamation when there are only approximately 40,000 acres under cultivation at the present time.

There is a vast supply of underground water in the area. In 1960 we had over 300 irrigation pumps connected with an average of approximately 70 horsepower each, for either supplemental or full irrigation of the 40,000 acres aforementioned. In all there still remains over 250,000 acres to be developed in this valley which is typical of the valleys draining into the Snake River.

There is only one method to develop these lands, as I see it. It is with low cost electrical energy. Burns Creek will provide power to lift this underground water to the surface and put it to the use so urgently needed.

The Burns Creek project will do just what is necessary for this kind of development. It will provide low-cost power at the proper time to adapt it to the irrigation load curves. For example, if all the electrical power developed at Burns Creek could be used for this type of irrigation only, it would provide water for reclamation of some 75,000 acres of additional land which is still virgin soil. This is only a small portion of this type of land in the upper Snake River drainage.

The Raft River Rural Electric Co-op has experienced a tremendous load growth. For some time we have had approximately 25-percent increase annually, which is a very high percentage. This is typical of the co-ops in southern Idaho. Therefore, it creates a problem of power supply which Burns Creek integrated with Palisades would help in solving.

I would again like to point out at this time that low-cost power is the key to this development. Although the local private power company claims to have ample suply of power to take care of these needs, we find through negotiations that the cost of wholesale power from them is at a figure which would prohibit this development. In fact, the quoted rate is two times the Bureau rate we are now paying. We find it very difficult to understand why we should be asked to pay to the private power company an average of approximately 10 mills per kilowatt-hour for wholesale power when they are selling to their own pump consumers at a rate of 7 to 8 mills per kilowatt-hour average for retail power. In fact, the power company would have no construction costs involved in our wholesale rate as we would transmit the power from their high voltage line to our load center. I feel they would like to price us out of business.

In addition to the reclamation benefits through pump irrigation, the Burns Creek porject would provide some storage that would firm up the present water supply on the Snake River projects. It is true that this gravity-flow water would only be used on the lands now being irrigated.

In the hearings of 1960 I stated that year could well be a year such as 1934. Records show that due to shortage of water storage the irrigation was closed a month early in some cases along the Snake River projects. This shortage caused considerable shortage of crop return in those areas. If Burns Creek storage had been available last year, you can see that the 100,000 acre-feet would have helped considerably on these shortages. From all indications this year 1961 also is below normal which further shows cause for immediate action.

In closing I feel I should point out that the Burns Creek project if approved would certainly assist in stabilizing the economy of southern Idaho. It will provide supplemental water for lands already under cultivation and provide power for new lands to be cultivated, thus putting the farmer on a more stable income. The project would also, through this development, increase the valuation of these lands. In short, it is easy ot see the taxes from this increased valuation would return a great amount of income, both federally and locally, to aid in governmental expenses. Also, instead of people being put out of work, this type of progress means many new jobs for the laboring class of our great economy.

Now may I thank this committee for the time allotted me. May I ask that you vote favorably for this project and recommend it do pass and be integrated both hydraulically and electrically with Palisades Dam as planned in the beginning.

Senator CHURCH. The next witness is Mr. A. M. Kaasen.

Al, we are glad to have you before the committee. I want to say for the record that you are manager of the Lost River Electric Cooperative, in Mackay, Idaho.

Mr. KAASEN. Thank you.

Senator CHURCH. You may proceed.

## STATEMENT OF AL M. KAASEN, MANAGER, LOST RIVER ELECTRIC COOPERATIVE, MACKAY, IDAHO

Mr. KAASEN. Mr. Chairman, my name is Al Kaasen, manager of Lost River Electric Cooperative, Mackay, Idaho, and also representing the Salmon River Electric Cooperative of Challis, Idaho.

We are an electric cooperative serving some 1,750 consumers in the upper Salmon River and the Lost River Valleys.

The major products are hay for livestock, potatoes, and some small feed grains.

The small dam on the Lost River has proven to be inadequate even in normal water years.

To improve the economic situation in this area we must have a supply of low-cost power. We strongly urge that Burns Creek project be built because of the great public benefit this project will bring to the area. Low-cost power that can be used for pumping will change many farms and ranches from a submarginal operation to a more favorable economic situation.

We are located above the Snake River Valley, and the way our area can benefit from Burns Creek is through pumping the underground water. While water is being released to irrigate lands under the Burns Creek Dam, electricity can be produced and sent up to our valley and this power used to raise the underground water on our lands. What could be more multipurpose than this—water by wire?

Our studies show that ultimately our area can use from 10,000 to 15,000 kilowatts for irrigation at rates such as the cost of Burns Creek power. A parallel situation exists in the service area of other cooperatives located in southeastern Idaho.

Again, indirect irrigation by use of power produced with falling water that is being used for direct irrigation is indeed multiple use of resources for reclamation.

Burns Creek will provide the maximum use of the Palisade project for just such use, and therefore must be considered an integral part of the Palisades Dam, and we urge you to report Burns Creek favorably and recommend that it be passed.

Senator CHURCH. Thank you very much, Al.

How did you get way up in that part of the country supplying electricity to those mountain people up there? I know that country; that is my country up there. You had to have an REA to get electricity there?

Mr. KAASEN. That is the Salmon River cooperative that operates in that area.

Senator CHURCH. Yes; I know.

Well, I just call attention to that fact because I think we ought to remain mindful in the mountain country of Idaho and in the remote areas of the State of the great service that has been performed by the electrical co-ops, the REA's, in bringing electricity to people who otherwise would not have had it. That is a service you are performing.

Mr. KAASEN. Thank you.

Senator CHURCH. It is approaching 6 o'clock and I want to be reasonable with everyone concerned. I would like to finish the hearing, and I understand that the gentlemen from the Utah Power & Light Co. would like to be heard tonight. I would like to accommodate them.

If it is at all possible to proceed with the hopes that we can complete the hearing tonight, I would like to do so, and that the pangs of hunger will not drive us from the room prior to the time that we hear from the remaining witnesses.

With that objective stated, I will now call on Mr. E. M. Naughton, president of the Utah Power & Light Co.

I understand, Mr. Naughton, you would like to have Mr. Hunter, your assistant, appear with you. I would like to welcome you gentlemen to the committee and apologize for the long delay to which you have been subjected.

## STATEMENT OF E. M. NAUGHTON, PRESIDENT, UTAH POWER & LIGHT CO., ACCOMPANIED BY E. A. HUNTER, ASSISTANT TO THE PRESIDENT

Mr. NAUGHTON. Thank you, Mr. Chairman, for letting us appear at this time.

Gentlemen of the committee, I am E. M. Naughton, president, Utah Power & Light Co., which serves southeastern Idaho, western Wyoming, and most of Utah. I reside at Salt Lake City. My associate, Mr. E. A. Hunter, and I are appearing here together—in the interest of conserving your committee's time—in opposition to S. 66, which proposes authorization of the Burns Creek project.

Reference has been made to a booklet on "Burns Creek, a $50 Million White Elephant," which my company published. It is based

upon fact, upon many witnesses over the years, and upon the opinions of legislators after hearing much past testimony on the proposed Burns Creek project. The ones that I have heard here today in answer to questions proposed at the time the book was introduced in this record have not disproved any statement made in it.

S. 66 would authorize a large power project. Certainly Burns Creek is not worthy of being labeled a reclamation project.

Reference was made by a previous witness that it would have great recreational value, but I would question very seriously if such recreational value is worth $50 million to taxpayers of the United States, and when particularly the Bureau, in its wisdom, only charged a little less than $50,000 to its recreational benefits.

Our company is almost 50 years old. We have always promoted development of the natural, agricultural, and industrial resources of our region. Long ago we realized that for basic industries to be developed and to prosper in a semiarid region, the rain and snowfall we do receive must be prudently husbanded.

We have a long record of active support of sound reclamation programs. Many times we have worked with reclamation associations, water users, and the Bureau of Reclamation in conceiving, planning, and developing true reclamation projects. To bring about several Federal projects constructed in our region, our company adjusted certain of its long-standing water rights to assist the Bureau in developing water for purposes other than power generation. Our record is crystal clear in support of water development on the upper Colorado River.

Nearly 12 years ago a true reclamation project—Palisades on the Snake River in southeastern Idaho—was authorized for construction. Our company, with landowners and other citizens in the area, actively supported that legislation because it would bring water to land, and we appeared before congressional committees in its support.

As a company we have always fostered the generation of electric power where such power is a proper adjunct to the development of water for agricultural, industrial, or culinary purposes. On the other hand, we are unalterably opposed to Federal projects having as a primary purpose the generation of electric power. Federal projects built for power production only follow neither the intent nor the spirit of true reclamation law.

During hearings leading to the Palisades authorization 12 years ago, consideration was given to the possible ultimate need for a small reregulating reservoir downstream should water level fluctuation at irrigators headgates be found detrimental during early operation of the project. Our company did not disagree with construction of such a reservoir if its need be proven.

The Palisades project has now been in operation for 3 years, and during that time no definite need has been proved for any downstream reregulation.

Note should be taken of the fact that before the Palisades project went into operation the Bureau of Reclamation conceived, designed, and actively promoted construction of a high dam to form a reregulating reservoir some 10 times the size of the one considered 12 years before and with 90,000 kilowatts of capacity. The Bureau called it a reclamation project—Burns Creek—even though it admitted that

98 percent of its proposed cost would be allocated to electric power. I often wonder why that bill ever got before this committee. It is certainly not a reclamation project.

The Burns Creek project is not only an unnecesary power project, but a very expensive power project. It would cost over $500 per kilowatt as compared to Palisades $185 per kilowatt. It would impose upon the Palisades reclamation project ill-advised financial responsibility and thus substantially delay the time when power revenues from Palisades could be put to more beneficial purposes. Were Burns Creek built we would not have a sound reclamation project—Palisades—subsidizing an unsound power project—Burns Creek—to provide electric power for a few preference customers who already have available to them an ample power supply.

The electric companies have always been and are now willing and able to supply all power needs of the area. We also have comprehensive long-range plans for providing all future power needs. The electric utility companies of the Rocky Mountain region plan to spend $2.5 billion in the 15 years ending 1975. This will provide new generating plants and other facilities which will increase the amount of electric power now available by 7 million kilowatt. Utah Power & Light Co. alone plans to spend $625 million in the same period to provide 1,500,000 kilowatts of new generating capacity and associated facilities. My company is presently engaged in building the Kemmerer steam-electric plant which will have an ultimate capacity of 500,000 kilowatts and will cost in excess of $80 million.

I might say that up to the end of 1960 we had spent $2,300,000. We will spend a little better than $3.5 million this year. So at the end of 1961 we will have in that project $5,900,000 in round figures, and anyone being of the judgment that we are not going to build the project is certainly wrong.

Senator CHURCH. What will be the total cost of the Kemmerer project?

Mr. NAUGHTON. The total cost of the Kemmerer project with the 500,000 kilowatts that we presently contemplate will be about $80 million. The cost of the units we now have under construction, which is the first 150,000-kilowatt unit will be about $33 or $34 million, including the transmission into the system.

These facilities, provided by the private utilities at not one penny of cost to the Federal Government (in fact, we are large taxpayers rather than tax consumers), will be adequate to supply the total area's electric loads, including those of the preference customers.

Burns Creek is certainly not a reclamation project. It would provide only 100,000 acre-feet of supplemental water to lands already well supplied. That small amount could have little, if any, effect on drought conditions when we consider that the reservoir development of the upper Snake impounds over 4 million acre-feet of water. Bureau witnesses have testified in the past that this supplemental water from Burns Creek would be used two or three times over a 50-year period.

It was stated before the Senate in 1959 that the Burns Creek project is needed as an insurance policy against drought. I submit that such an insurance policy would saddle the American taxpayers with a $50 million premium with very negligible if any benefit. I refer you to

the record—page 12 "Supplemental Report on Palisades Dam June 1949." The table shows that if Palisades were authorized—it has now been built—there would remain a shortage of 2,586,000 acre-feet in irrigation water in a year like 1934. May I ask this committee what benefit 100,000 acre-feet from Burns Creek would be to meet a shortage of 2.6 million acre-feet? It would meet only 4 percent of the total need at a price of nearly $50 million.

A proposed Burns Creek Reservoir would impound 234,000 acre-feet of water, but almost 60 percent of that water would be thrown away in the interest of powerhead.

It is very dry out in Idaho right now—in fact in the whole intermountain area. Unless a miracle happens there will be over 900,000 acre-feet of unfilled reservoir capacity on the upper Snake River when this spring's water harvest is over. It has been generally known for some time that we were going to have a bad water year and that we had better conserve what water we had. Yet in this period, when water should have been stored for use by the farmers later on, releases have been made from Jackson Lake to provide a powerhead at Palisades, and since about the first of October approximately 150,000 acre-feet have been released from the Palisades Reservoir over and above minimum downstream requirements to generate power for preference customers.

That is quite wasteful, as it was admitted by Mr. Crandall, if I remember correctly, in previous testimony that the evaporation rate at American Falls is substantially greater than it would have been had that water been retained in the Palisades Reservoir.

The data which I have submitted here and which I submitted to customers through a letter which has been introduced as evidence here today is not based on my measurements of the Snake River, naturally, I have a lot of other things to do, too. It is based on the information of our hydrographers, who have had about 40 years' experience, who know not only the Snake River but all the other rivers with which we do business, and I can assure you that it is quite accurate. If any one desires to question me, I will be perfectly willing to submit all the evidence to prove what I have said here and what I have said in the letter to which the chairman referred.

I might also add that the Idaho Power Co. made a determination completely independent of ours and came up with substantially the same figures.

Here is a factual example of what a powerplant can do to an irrigation project—a farmer's water. There is simply too much temptation to generate power in the hope that divine providence will bail the bureau out later on and provide the farmers with water. Had the farmers not stepped in in January and demanded that the controllers of the water stop its foolishness, the situation would have been worse than it now is.

Here in the first dry year we have had for a long time we have far more storage capacity upstream from the Burns Creek site than we have water to fill it. What good would 100,000 acre-feet of additional storage capacity at a cost of $50 million be to the farmers?

Mr. N. B. Bennett, Assistant Commissioner of Reclamation, has inferred that once the U.S. Government supplies any power to a preference customer that it incurs an obligation to supply preference cus-

tomers' needs, no matter what they may be, forever. In testifying before this committee in 1959 Mr. Bennett stated:

> * * * these people (preference customers) now have contracts for power with the Federal Government and we believe that they should continue to receive from the Federal Government power to meet their growing loads.

One would conclude from his testimony that ultimately when all hydro sites are developed, then the U.S. Government would construct steam or other generating facilities as might be required for these preference customers. If that be the case, it will be rather expensive on the taxpayers of the United States.

Some proponents of Burns Creek have testified that Government-subsidized power is necessary to develop southeastern Idaho's arable land. It is interesting to note that last year our company's service for irrigation pumping was 6½ times what it was 10 years ago. Electricity for agriculture is cheap in the area we serve. Southeastern Idaho is famous for its potatoes and sugar beets and we are pleased to report that power costs as a percentage of the value of the product are only 4.6 percent for potatoes and 8.1 percent for sugar beets.

I submit to you, gentlemen, that any time power is at that percentage of the value of a product, that the price of the power would have liitle if any effect on the success or failure of an agricultural venture.

According to a recent Federal Power Commission report on electric rates for residential and farm service such rates in Idaho are among the lowest in the Nation.

I call the committee's attention to the fact that as far as my company is concerned, despite such low rates we pay in taxes 21 cents out of each dollar of revenue that we get from our customers, approximately half of it going to the Federal Government through income taxes, and the other half to State and local governments.

Further operating experience with the Palisades project may develop the need for some downstream regulation—that need has not developed as yet—but reregulation can be supplied as it was conceived by the Bureau 12 years ago, with construction of a small reservoir, say 17,000 to 18,000 acre-feet, requiring a very low dam, at a cost estimated at $4.5 million. If such need develops, certainly our company would wholeheartedly support it.

Speaking of the need for reregulating reservoirs on rivers subject to wide flow variations because of changing rates of release of water for irrigation and power generation, I submit that if the need for reregulation downstream from the Palisades project be proved, the same type reregulation would be required downstream from a Burns Creek project if it should have a 90,000-kilowatt plant, because the same water would be released into the same streambed.

I would assume that the proponents of this legislation would come at a later date and would say that you have to reregulate Burns Creek.

Our company has made a very careful study of the economics of Burns Creek which definitely proves that the entire project is infeasible and unnecessary. My associate, Mr. E. A. Hunter, is thoroughly familiar with those studies and will testify in detail during these proceedings as to his findings and opinion.

Thank you very much, Mr. Chairman.

Senator CHURCH. I did not understand the last part of your testimony, Mr. Naughton, where you said that if Palisades needs a reregulating reservoir, then by the same logic it would follow that Burns Creek reregulation reservoir would need a reregulation reservoir.

My understanding of the project is that by catching the releases from Palisades that are operated so as to obtain full peaking capacity there, in a reservoir that will not fluctuate more than 4 feet, and then generating in a steady way at Burns Creek, not only solves the Palisades problem, but would furnish no further need for reregulation below Burns Creek.

Am I incorrect on that?

Mr. NAUGHTON. Under that assumption, Senator, I believe you would be correct. But when you have a 90,000-kilowatt powerplant, you make use of that powerplant and when you do make use of it, you are going to violently fluctuate the flow, and you are going to have the same streambed going through the violent fluctuations.

You will find that a few years from now there will be proponents for additional funds to build a reregulation reservoir downstream from that one. I assume by that time they will want to build a high dam on that one and perch it up on top to get a powerhead. I do not know what we will call that one.

Senator CHURCH. I think that is an important point. My conception of the Burns Creek project is that it is the completion of the Palisades project and that it will be operated in such a way as not to require further reregulation below Burns Creek.

I think we ought to make the record clear on that. You have raised the point and I would like to have some kind of statement from the Bureau on this matter.

Am I mistaken about the way that Burns Creek is to be operated, Mr. Nelson? Is there someone here from the Bureau who can clarify this matter?

Mr. NELSON. Senator Church, I can tell you categorically that Burns Creek Reservoir is a reregulating reservoir for Palisades and will never require any regulation below that point, in the same manner that all other reregulating reservoirs operate. The utilities themselves have them.

There are reregulating reservoirs below storage reservoirs that regulate peak releases from the storage reservoir and produce a uniform flow below. Of course, there is a uniform flow now below Palisades in the absence of a reregulating reservoir. The purpose of the reregulating reservoir is to permit variable discharges through the Palisades powerplant, not through the Burns Creek powerplant.

Now, it happens that in the middle of the summer there are about 12,000 second-feet going down Snake River, and the 90,000-kilowatt powerplant will require only about 8,000 second-feet. In other words, there is enough water in the Snake River in the summer months to support a 120,000-kilowatt powerplant.

If we put a 120,000-kilowatt powerplant in, then it is conceivable that somebody might say that you are not using that capacity in the winter months. Well, it happens that a 90,000-kilowatt powerplant has been sized to the economics of the Palisades releases so that the plant will have a plant capacity of about 67 percent.

In other words, the 90,000-kilowatt capacity will be used about 67 percent of the time. That is good economics. There could never be a reservoir below Burns Creek because, as Mr. Crandall has testified, and some others, that reservoir is located as far down the river as it can be without interfering with canal headings.

Immediately below that point, the canal headings start. So Burns Creek Reservoir will be the last reservoir that can be found on the main stem of the Snake River unless future storage is located in Wyoming, which up to now has registered very strong objections. I hope I have answered the question.

Senator CHURCH. I think that does answer the question.

Mr. NAUGHTON. That, of course, Senator, presupposes that Burns Creek will be operated in the manner that these gentlemen of the Bureau now plan it. Burns Creek will be a 100-year project. I make my point, I think, even stronger by saying that when you have 90,000 kilowatts in that streambed and you operate it as a powerplant, very likely you will have more trouble downstream from Burns Creek which you cannot correct in the future.

I do not disagree with my friend from the Bureau, Mr. Nelson, but he is not going to operate that 100-year powerplant throughout his life. It is largely a powerplant and not a reregulating reservoir. If it were a reregulating reservoir, we would not be talking about any $50 million. We would be talking about $4.5 million.

Senator CHURCH. You made the statement that your company had not in the past opposed a reregulating reservoir of the smaller type.

Mr. NAUGHTON. That is right.

Senator CHURCH. Do you think that if such a smaller reservoir were to be built that it would be justified as utilizing fully the potential of the river at the site? I mean by that do you think that it is good public policy to build dams anywhere that do not fully utilize the resource?

In other words, I want to make myself clear. If you were to build a small dam of the type you have referred to, it might furnish some measure of reregulation from Palisades, but it would use up the site which otherwise could be developed for all purposes that we contemplate in the present bill, power and supplemental irrigation water, and so forth.

I was just wondering whether you think it is good public policy to build a dam on a river with as few sites as we have remaining and not utilize it fully for all the benefits that can be derived?

Mr. NAUGHTON. You pose a very interesting question, Senator. You can utilize anything. This project has been referred to as an insurance policy. One can insure himself or one can insure his business for any exorbitant amount. It is a question of whether that would be the best utilization of the tax revenues of the United States.

I think that we have clearly shown here that while, in fact, 100,000 acre-feet could be developed in this program, that the value of twice in 50 years is not worth $50 million. I believe that here in the United States, with our tremendous debt and our tremendous budget to defend ourselves, and other things, that we have to make the wisest possible use of the funds that we get from our people.

After all, our ratepayers pay taxes, and I think in justice to the ratepayers and to the other citizens of this Nation, we must use prudence in selection.

Now, my opinion would be that the wisest thing in the selection of the priority or the sequence in which projects should be built would be those which have the best benefit-cost ratio first. For example, if time permitted, I could cite several locations in the State of Idaho where the benefit-cost ratio would be far superior. The project would cost less money and the benefit-cost ratio would be far superior to even the revised figure that has been suggested here today. That, I think, is the best answer that I think I can give you to that question.

Senator CHURCH. I appreciate your answer. It has been responsive.

I have a very strong feeling, however, that where we have water resources that can be developed only once, that in the long term interest of the country, we should develop them fully and get the most from the river.

I have always been troubled about the project above Boise, a Government project. The Corps of Engineers put in the Lucky Peak Dam there, representing a sizable amount of money, storing over 450,000 acre-feet of water. It has real utility as a flood control project but they built it without putting any generating plants there, and a vast head of water has been created at great public cost and not a single kilowatt of electricity is being generated there. I think it is a great economic waste, hard to justify.

That is the thing that worries me about a small reregulatory reservoir below Burns Creek.

Mr. NAUGHTON. If I might supplement my answer and by way of further comment on your statement, I would like to make this statement: If the power from Burns Creek were sold at a price commensurate with its value—and when we talk of value I think we have to talk of worth, and when we establish worth we have to recognize all elements of competitive costs which obviously are taxes, and I sympathize with you people back here in Congress with this tax problem—that power from Burns Creek has considerably more value than has been discussed here today.

If if were sold at its true value, then you would precipitate dollars from the recipients of it to help build other water-producing projects and tend to reduce the taxation on the people of the United States. But were you to do that, you would not have 28 witnesses from preference customers back here urging it because it would not be in their interest.

Senator CHURCH. I think that the preference clause has a history quite apart from the hearings today that I need not relate to you, because you are well aware of it.

I think that there are good and sound reasons for the preference clause. The preference customer has served usefully to bring electricity into areas that private utilities in the past have not been willing to serve. Otherwise there never would have been a reason for them to come into existence.

Mr. NAUGHTON. I have no objection. I recognize preference customers and I have gotten along with them since the late 1930's when the REA Act was first passed. But the preference law does not say at what price Federal power is to be sold, and that is the only point I make.

If it were sold at its value—after all, when the United States generates power, it has a value—if it were sold at that value, I would not

open my mouth. I would not argue with you. But then you would reduce the taxation and produce dollars to develop water that we will need in the West.

I am a citizen of your State, too, and we have a tremendous investment in Idaho.

Senator CHURCH. You are a corporate citizen.

Mr. NAUGHTON. A corporate citizen.

Senator CHURCH. Yes; I realize that. I want you to know that you are highly reputed in Idaho and are a good citizen there.

I have been wondering about the Kemmerer project that you referred to, Mr. Naughton. You said that the first unit of that project is now underway, and when completed it will produce 150,000 kilowatts of electricity.

Mr. NAUGHTON. Yes, sir

Senator CHURCH. This is the first step in an even larger project at Kemmerer, is it not?

Mr. NAUGHTON. Yes, sir.

Senator CHURCH. And you said you are going forward with it and are committed to it. Is that the case?

Mr. NAUGHTON. We are going forward with it. There is not any question about it.

Senator CHURCH. How soon would you expect the first unit of this project to be completed?

Mr. NAUGHTON. About October 1 of 1963.

Senator CHURCH. About October 1, 1963?

Mr. NAUGHTON. That is right.

Senator CHURCH. This will be done regardles of whether or not Burns Creek is authorized?

Mr. NAUGHTON. The plant will be built, yes.

Senator CHURCH. From this plant and from your other generating facilities, you make the statement that you can supply the electrical power needs of the area in the foreseeable future; is that right?

Mr. NAUGHTON. Yes; that is correct.

Senator CHURCH. And you are paying your full measure of taxes on your plants, built and to be built?

Mr. NAUGHTON. Yes.

Senator CHURCH. On those to be built you will pay your full measure?

Mr. NAUGHTON. Yes.

Senator CHURCH. I asked this because I wondered about the statement that you make in this pamphlet, on page 10 of the pamphlet. You make the statement that—

> The construction of Burns Creek means the loss of $34 million that would be paid by investor-owned utilities in taxes.

I do not understand how you compute that figure.

Mr. NAUGHTON. Mr. Hunter will cover that in his testimony.

Do you want the question answered now?

Senator CHURCH. Perhaps as a matter of convenience, yes; you might as well answer it now, Mr. Hunter.

Mr. HUNTER. That was based upon a figure which was given by the Bureau in, I believe is was, House Document 147, dated April 1957, which is the Burns Creek report.

Senator CHURCH. What kind of a figure was this?

Mr. HUNTER. It was given as an annual loss in taxes as a result of building the Burns Creek project which would take the place of an alternate source of electric power.

I think the $34 million was direct multiplication of the years of payout times that annual loss figure.

Senator CHURCH. This figure was what was computed to be the tax loss by virtue of the building of Burns Creek instead of an alternate generating facility that would pay taxes, but you do not have any plans to build a dam in place of Burns Creek, do you?

Mr. HUNTER. Let me put it this way, Senator——

Senator CHURCH. I want to see where the loss comes in. If we do not build the dam, you are not going to build it.

Mr. HUNTER. No; but it means that if 90,000 kilowatts of power is installed at Burns Creek to take care of a load in a common area—remember, these facilities are all tied together by a common transmission system—that means that 90,000 kilowatts will not be built some place else because there will not be duplication. I think that is the theory behind that particular statement.

Senator CHURCH. That is kind of a stretch, is it not?

After all, as Mr. Naughton testified, you have your facilities, you are building more facilities, you are building them regardless of Burns Creek, and you are paying your taxes on them.

I think it is a little bit difficult to say that, therefore, the construction of Burns Creek, which is not replacing another dam that a private utility proposes to build, is going to result in any $34 million loss in taxes. I just find it hard to follow this.

Mr. NAUGHTON. So many people consume so much power. Somebody is going to supply that power. If we are privileged to do it, we will build a plant and on that plant we will pay taxes, as we have discussed.

If the Bureau builds it, it is a tax consumer, not a tax producer.

So, this figure, as I recall, the $34 million, that is the Bureau's figure, a figure determined on the basis that if private industry were to build that much capacity to carry the load instead of the Bureau, the taxes related to it would be $34 million over the payout period.

As I recall, that is a Bureau figure.

Mr. HUNTER. That is correct.

Senator CHURCH. I accept the figure if we were faced with the proposition where this committee was to choose between Government construction of the dam at Burns Creek and the construction of a dam at Burns Creek by the private utility, which was going to be taxed.

We have a situation of that kind in Hells Canyon. The argument was made that the dams to be built by the Idaho Power Co. would result in certain tax revenues and that if the Hells Canyon Dam were built, these tax revenues were lost. But it seems to me that we do not have that situation at all in Burns Creek. We are either going to have a dam built by the Federal Government or we are not going to have a dam at all.

Mr. NAUGHTON. Here is the answer, I think, to that: If we build the reregulating dam at the $4.5 million figure, we will not have any taxes on it. But if we do not have the powerplant, we have under discussion, our second Kemmerer unit will come in earlier, and that

being the case, the equivalent to 90,000 kilowatts will produce the $34 million referred to here in the payout period.

Somebody is going to do it. If private industry is permitted to build the plant, it will pay taxes on it. If the Government does it, it is a tax consumer and not a tax producer.

I think we often overlook the fact that taxes on industry in an area are of great value to the revenues to operate Government at all levels, or that area.

For example, commerce and industry in Utah supply 48 percent of the State's revenues.

Senator CHURCH. I appreciate the tax load that you carry, and I do not deprecate the importance of this consideration. But it seems to me that with the growth curve that we have had in that region that you will find that Burns Creek will be no deterrent to your expansion, that your program for building your steamplant at Kemmerer and whatever other plants you have envisioned in the future will continue, and you will need them all, and you will construct them all and pay taxes on them all.

I think it is pretty difficult to take a figure that the Bureau used in one context and extract it and conclude that there is going to be a $34 million tax loss.

I find it hard to accept that figure. I do not think you have substantiated it.

Mr. NAUGHTON. Well, I think we have. Of course, we both have our opinions. It was not our intention to take material out of context, I can assure you.

The intention here is to continue it in context.

I think our only point here is that Burns Creek is admitted by the Bureau as almost entirely a power project. My contention is that it is a very uneconomical power project and, as such, is a detriment to the taxpayers of the United States.

Now, if we built equivalents in steam generation, our taxes would be approximately the $34 million over the studied period of its life. That is my own opinion.

Senator CHURCH. I would like to see you submit figures upon which you make this computation. I think it would be helpful to the committee.

Mr. NAUGHTON. We will be glad to submit them for the record.

(The information follows:)

UTAH POWER & LIGHT CO.,
*Salt Lake City, Utah, March 22, 1961.*

Senator CLINTON P. ANDERSON,
*Chairman, Interior and Insular Affairs Committee,*
*Senate Office Building, Washington, D.C.*

DEAR SENATOR ANDERSON: During the March 15, 1961, hearing on S. 66—the Burns Creek project—before the Subcommittee on Irrigation and Reclamation of the Senate Interior and Insular Affairs Committee, Senator Church had some question as to the taxes foregone figure if Burns Creek project were built, and on page 185 of the stenographic transcript of the hearing, requested Messrs. Naughton and Hunter of Utah Power & Light Co. to supply data in connection with this tax foregone figure.

On page 26 of House Document No. 147, 85th Congress, 1st session, Burns Creek dam, powerplant and reservoir, Palisades project, Idaho, the Bureau lists $472,000 per year as the value of taxes foregone because of Federal construction of the power facilities. The total tax figure lost is based upon this annual figure of the Bureau's.

Bureau of the Budget Circular No. A–47 states that "* * * all the financial costs of the program or project except investigating, surveying, and planning costs incurred prior to authorization; and all the other identifiable expenses, losses, and liabilities, whether in goods, services, or intangibles, whether direct or indirect, and whether measurable in monetary or nonmonetary terms, which are incurred as a result of constructing operating, or maintaining a program or project" shall be included for purposes of evaluation of proposed programs and projects; and adds that losses in tax revenues caused by the existence of program or project facilities are to be included in the evaluation. In addition, Bureau of Power, Technical Memorandum No. 1, "Instructions for Estimating Electric Power Costs and Values," Federal Power Commission, revised May 1958, including Supplement No. 2, requires that feasibility studies of Federal hydroelectric projects shall, in determining project costs allocated to power, include the amount of taxes foregone as a result of Federal power development.

We have checked the Bureau's annual figure of $472,000 per year for taxes foregone by using taxes expressed as a percentage of gross investment as shown for the Utah Power & Light Co. area in table 2 of the technical memorandum cited above (4.41 percent) and the cost of 90,000 kilowatts of alternate steam electric generating capacity at $190 per kilowatt including transmission. Results of this calculation show an annual loss of taxes of $754,000 per year—some $280,000 per year or 60 percent more than the Bureau's calculation in Document No. 147. The figure we included in our testimony which was based on the Bureau's annual loss figure of $472,000, we believe, was certainly on the conservative side.

I trust this information will prove helpful to Senator Church and to the subcommittee.

Sincerely,

E. A. HUNTER,
*Assistant to the President.*

Senator CHURCH. When you say that Burns Creek is an uneconomic project in terms of electric generation, do you refer to the figures you have given here to the effect that Burns Creek power will cost some $500 per kilowatt, while the Palisades power costs $135? Is that the figure?

Mr. NAUGHTON. $185.

Senator CHURCH. $185 per kilowatt?

Mr. NAUGHTON. Yes.

Senator CHURCH. How do you get the $185 figure at Palisades?

Mr. NAUGHTON. Palisades has a certain amount of its total cost allocated to power. Mr. Hunter has that figure. You divide that figure by its capacity of 114,000 and you get $185.

Senator CHURCH. How do you get the Burns Creek figure?

Mr. HUNTER. I can answer that, Mr. Chairman.

The total cost allocated to power, which was supplied by Mr. Dexheimer of the Bureau of Reclamation, in 1959, was approximately $48 million, and if you divide the $48 million by the 90,000 kilowatts you get a figure in excess of $500 per kilowatt.

Senator CHURCH. That figure is almost the cost of the dam itself, is it not?

Mr. HUNTER. That is the cost allocated by the Bureau to power.

Senator CHURCH. But if you were to take the total of the dam and divide that into the kilowatt generation of the dam, 90,000 kilowatts, or divide that by the kilowatt generation, you would come up with a figure of around or close to $500, or a little more than $500 per kilowatt, would you not?

Mr. HUNTER. No; I think there would be a little more difference than that. The annual generation is about 500 million kilowatt-hours.

Are you talking about generation or capacity?

Senator CHURCH. I am talking about capacity. I am trying to use the same formula you have used, except I am applying the total cost of the dam rather than that part allocated to electricity.

Mr. NAUGHTON. If I might answer that, Senator, and I think I know what you have in mind——

Senator CHURCH. Just to complete it, and then I would like your answer. But if you do the same with Palisades, you will come up with a higher cost per kilowatt-hour at Palisades than you do at Burns Creek.

You do not get any electricity without the dam and the reservoir. That is the thing that makes the electric generation possible.

So I am wondering whether this is a proper formula to use in determining the actual cost. What is the cost? After all, is not the cost of the project and the electricity you get out of it in terms of what the public has spent? The allocation is a matter of reimbursement. The allocation is determined or is set into the law to determine how much of the project the power users are going to pay for and how much of the project is going to be paid out of the general treasury. But the cost of the electricity that is generated there is determined, it seems to me, on the basis of a formula that relates generation to the total cost, to the total expenditure.

When you do that, you find that you are actually getting cheaper power out of Burns Creek than we are getting out of Palisades.

Mr. NAUGHTON. Senator, I think your assumptions there are a little erroneous, for this reason: Again we get back to values of things. We should not overlook the fact that Palisades has a substantially large storage behind it, and that storage has an agricultural function.

The Bureau very wisely—and we and other water users came back and supported the Bureau in 1949—felt that was a prudent investment. Palisades, as a power project for a utility, would never be built because of its extremely low load factor.

We must remember that Palisades has a firm capacity, day in and day out, of about 15,000 kilowatts. Its generating capacity is 114. So, as a powerplant, Palisades would be very expensive. But, because of its other benefits, its irrigation benefits, it gets down to $185 a kilowatt.

I think we thoroughly agree with the Bureau on that, and I think that the Bureau would agree with us. But, on the other hand, Burns Creek is entirely a power project, with the exception of 1½ percent, and the power costs have to bear the full brunt of it.

Burns Creek, in my judgment, and Mr. Hunter will testify later, really is very harmful to a fine project, Palisades, because it increases the payout period, it saddles a good project with the power costs of a bad project.

In my judgment, I think the figure is some $33 million that it makes Palisades pack on its back, and I think the $33 million would be much more prudently invested in a project, with a better benefits-cost ratio, which I am sure could be found in Idaho, than Burns Creek.

I think Burns Creek almost ruins a fine reclamation project.

As a westerner who knows full well that much of our money to develop our water comes from the East, I urge upon those of us from the West to use those funds that we get from the East wisely so that the easterners will not discontinue helping us because we cannot do it alone. We have to have eastern money.

Senator CHURCH. I can reassure you, Mr. Naughton, that the benefit ratio here of 1.33 to 1 not only compares favorably to the statutory criteria, but it well exceeds many benefit-cost ratios on many projects that have been approved by the Congress and that have been accepted and which have been constructed.

So I think, on that basis of comparison, we do not have a poor project here but one which compares very favorably.

Mr. NAUGHTON. I do not think you, as an important Senator from Idaho, are too enthused about a 1.33–1 benefit-cost ratio when you have something that can be 3½ to 1 in your own State.

Senator CHURCH. I remember one time a great fuss in Boise over the building of a new church. There was a young minister who went to the elder in the church. The minister was in great trouble with the whole congregation and he could not understand why the elder, who was also in favor of building a new church, was not in trouble. He went to the elder and asked how it was that he stayed out of trouble.

He said, "It is very easy. You have to be for the new church. I have always been for the new church, but I always argued about the site."

We have a project here that is well along, and we have the site, and we are hopeful that we would build it in the public interest, but I am sure that we could delay our progress forever if we would always find a different site or different project that we ought to get around to instead. I think that is the case.

That is the best answer I can give you.

Mr. Naughton, you have been most responsive in your answers and I appreciate them.

You have with you Mr. Hunter, who has some charts and some statistics.

I would be very happy to hear from him.

## STATEMENT OF E. A. HUNTER, ASSISTANT TO THE PRESIDENT, UTAH POWER & LIGHT CO.

Mr. HUNTER. Mr. Chairman and members of the committee, I am E. A. Hunter, assistant to the president of the Utah Power & Light Co.

The following statement is made on behalf of the Utah Power & Light Co., which opposes the construction of the Burns Creek project.

In 1957 when Burns Creek legislation was first introduced a careful analysis of the Bureau of Reclamation's Burns Creek report led us to conclude that Burns Creek was an unnecessary, unjustified and extremely uneconomic project. Since then we have appeared in opposition to this project several times and each time we are more thoroughly convinced than before that the project is ill-conceived, unnecessary and wasteful. It is not in the best interests of the taxpayers of the region, the taxpayers of the Nation nor the reclamation program of the West.

The purpose of Burns Creek, as stated in S. 66, is misleading. It has been stated that Burns Creek would provide facilities for river re-regulation—this, in spite of the fact that a ranking Bureau of Reclamation official has testified that the farmers have been told that the river level in the summertime will be exactly the same with or without Burns Creek.

The bill also states that it will provide for control of floods—this, in spite of the fact that a Bureau of Reclamation official has testified that there are no flood control benefits in the Burns Creek project.

It is also stated that the Burns Creek project would provide for the conservation and development of fish and wildlife—this, in spite of the fact that a Department of the Interior official has testified that there are no fish and wildlife benefits in Burns Creek.

Burns Creek is not an irrigation project, even though it is proposed as such. Only 1.7 percent of the total estimated cost of approximately $50 million is allocated to irrigation. It is admitted that the project would provide only 100,000 acre-feet of supplemental water which might be used two or three times in 50 years.

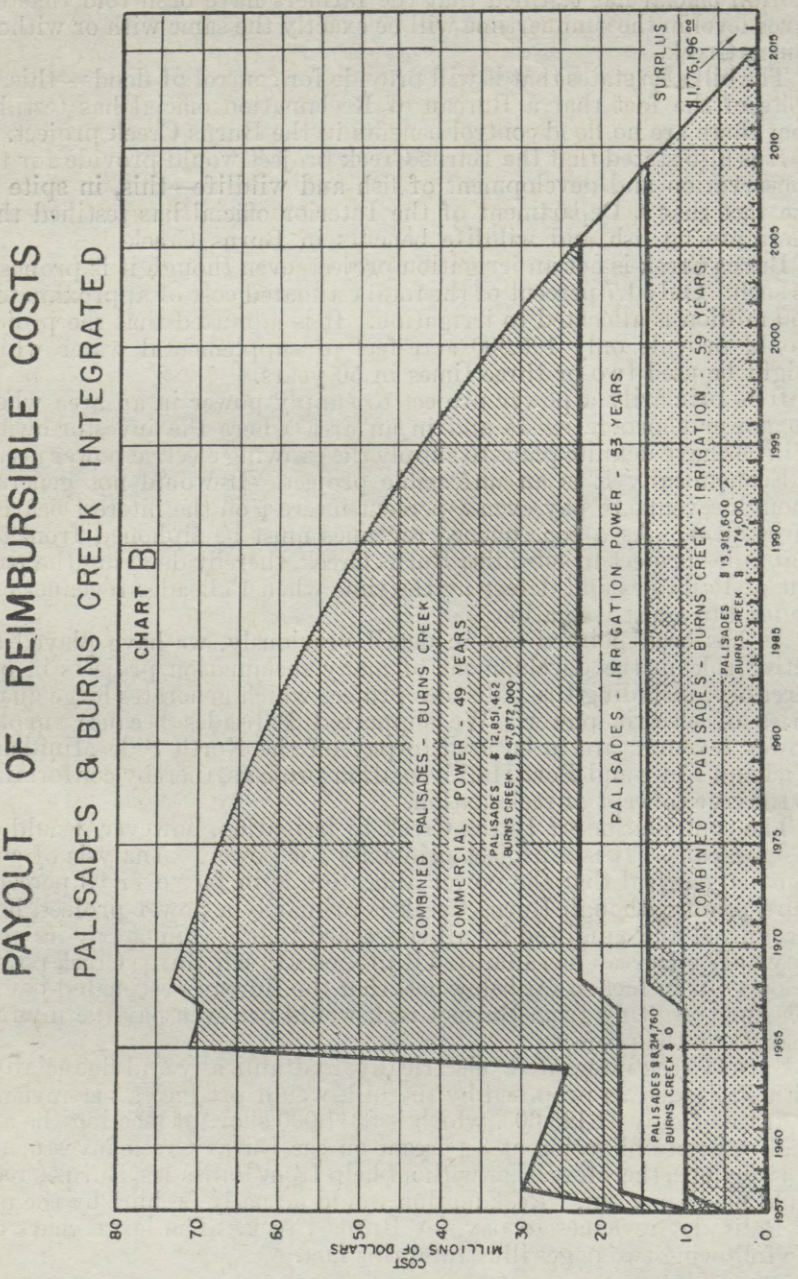
It is primarily a power project to supply power in an area where no power shortage exists and in an area where the investor-owned utilities have definite plans to supply the growing electric power needs.

Economically it is an unfeasible project. It would not generate enough revenue to pay even 3-percent interest on the interest-bearing investment. As a consequence revenues must be siphoned from the Palisades project to subsidize Burns Creek, thereby delaying the pay-out of Palisades and deferring the time when Palisades revenues can be used to assist irrigation.

As has been pointed out in detail previously, we have played an active role in the development of many reclamation projects in our territory, including the Palisades project which generates large quantities of electric power. We supported Palisades because surplus power revenues are to be used to pay off the North Side Minidoka, Michaud Flats and Fort Hall irrigation projects, thereby conforming to the true concept of reclamation.

The contribution of Burns Creek to irrigation, however, would be insignificant. It is a project primarily for power. Analysis of current data reveal that the power allocation is in fact over 98 percent. Furthermore, though Burns Creek is primarily a power project, it is recognized and admitted by all concerned that it cannot pay its own way. The Bureau has admitted it proposes to sell Burns Creek power below cost, in fact so far below cost that the Bureau's estimated power revenues resulting from Burns Creek would not even pay the interest charges on the project.

Burns Creek integrated "electrically, hydraulically and financially" with Palisades, as proposed by the bill, would produce a net revenue increase of only $1,125,000, which is $311,000 short of meeting the annual interest obligation at 3 percent on the Burns Creek investment. It is obvious, therefore, that without help from Palisades, Burns Creek could never pay out. Reclamation would actually be hurt by the use of Palisades revenues to pay for Burns Creek. The large chart on the following two pages illustrates this fact.


PAYOUT OF REIMBURSIBLE COSTS
PALISADES & BURNS CREEK INTEGRATED
CHART B
COMBINED PALISADES - BURNS CREEK
COMMERCIAL POWER - 49 YEARS
PALISADES $ 12,851,462
BURNS CREEK $ 47,872,000
PALISADES - IRRIGATION POWER - 53 YEARS
COMBINED PALISADES - BURNS CREEK - IRRIGATION - 59 YEARS
PALISADES $ 13,915,600
BURNS CREEK $ 74,000
SURPLUS
$1,776,196.02
PALISADES $8,234,760
BURNS CREEK $ 0
COST
MILLIONS OF DOLLARS
80
70
60
50
40
30
20
10
0
1957
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
FISCAL YEAR

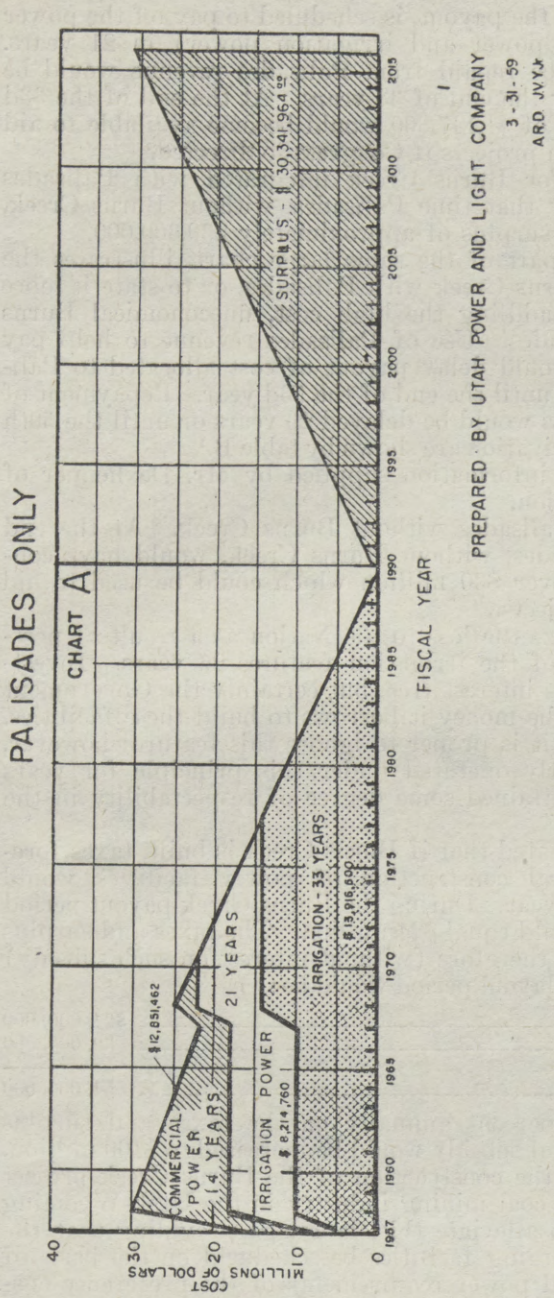

PALISADES ONLY
CHART A
COST
MILLIONS OF DOLLARS
40
30
20
10
0
1957
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
2015
FISCAL YEAR
COMMERCIAL POWER 14 YEARS
$12,851,462
IRRIGATION POWER 21 YEARS
$ 8,214,760
IRRIGATION - 33 YEARS
$ 13,916,000
SURPLUS - $ 30,341,964
PREPARED BY UTAH POWER AND LIGHT COMPANY
3 - 31 - 59
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Chart A, the bottom chart, shows that Palisades, without being burdened with Burns Creek, the vertical scale representing the cost and the horizontal scale the payout, is scheduled to pay off the power allocation (commercial power and irrigation power) in 21 years. The irrigation cost to be repaid from Palisades revenue would be completely amortized at the end of 33 years. At the end of the 33d year an annual surplus of $1,147,800 would become available to aid future worthy irrigation projects if Congress so directed.

The payout period for Burns Creek integrated with Palisades would be 59 years. By that time Palisades, without Burns Creek, would have produced a surplus of approximately $30,300,000.

Chart B, the upper part of the same large chart, illustrates the effect of integrating Burns Creek with Palisades, or to state it more bluntly, the effect of saddling the high cost, uneconomical Burns Creek project on Palisades. Use of Palisades revenue to help pay Burns Creek interest would delay payout of cost allocated to Palisades power 32 years or until the end of the 53d year. Repayment of Palisades irrigation costs would be delayed 26 years or until the 59th year. Details of this derivation are shown by table B.[1]

Table B is based on information supplied by Mr. Dexheimer of the Bureau of Reclamation.

Contrast this with Palisades without Burns Creek. At the end of the 59th year Palisades, without Burns Creek, would have contributed a surplus of over $30 million which could be used to aid worthy reclamation projects.

This does not recognize the loss to the Nation as a result of postponing the repayment of the irrigation features 26 years. Investment in these features is interest free, but certainly the Government has to pay interest on the money it borrows to build these facilities. I would not agree that it is proper to ignore this feature; however, the Bureau has evidently operated under this principle for years and it apparently has attained some degree of respectability in the minds of some people.

The Bureau has estimated that if Burns Creek is built, taxes foregone because of Federal construction of power facilities would amount to $472,000 per year. During the Burns Creek payout period these foregone taxes would equal $24 million. The taxes and surplus subsidy to Burns Creek therefore (without interest on such subsidy) during the Burns Creek layout period would be:

| | |
|---|---|
| Loss of taxes | $24, 000, 000 |
| Loss of Palisades surplus | 30, 000, 000 |
| Total | 54, 000, 000 |

If an interest at 3 percent annually on the taxes and surplus subsidy is added, the total subsidy would be increased to $100 million.

It is recognized that the construction of the Burns Creek project would be a blow to the coal mining industry in the Utah-Wyoming area. In an attempt to alleviate this, language providing that the installation of the generaing facilities be schedueld on the basis of providing the additional power requirements of the preference customers has been added. The effect of such amendment will not

[1] Tables A and B, mentioned by Mr. Hunter, appear in the committee files.

improve the coal miners' situation but will only lengthen the payout period of the project and make the project even more uneconomical.

Need for river reregulation has been advanced in attempting to justify Burns Creek. Need for such reregulation, however, has not been supported by any tangible evidence that we have been able to find, but seems to be based on speculation as to what some future condition may impose. Even the Bureau of Reclamation does not assign a single dollar of value to this use.

A more logical and economical way to provide reregulation, if it ever be needed, would be to construct a dam to provide a reregulation reservoir of only 17,000 acre-feet capacity which would do the job, and permit Palisades to generate peaking power. According to various estimates, such a dam could be constructed for about $4,500,000. We understand that in 1953 the Bureau gave consideration to this approach and at that time submitted an estimate that such a reregulation dam could be constructed for $2,128,000. In this connection a Bureau witness testified August 1959:

> However, we could accomplish the same thing cheaper if we purchased power to firm up Palisades; therefore we did not believe it was a justified investment.

Despite this admission the Bureau now proposes to spend almost $50 million for a project, the primary purpose for which they state is reregulation. Further, Bureau studies show that with Burns Creek, the amount of power purchased to firm up Palisades would be reduced by the insignificant amount of $4,000 per year. Does anyone believe that this kind of a benefit justifies the expenditure of almost $50 million? I am not surprised that the Bureau passed by reregulation when it came to allocating costs. We submit, therefore, that further study should be made of the need for reregulation before any action be taken.

I cannot find where 1 penny would come from the additional peaking power with the reregulation reservoir.

Although Burns Creek is a power project, there is absolutely no excuse or justification for the contention that additional power is required in the area. Without a shadow of a doubt there is ample power in the area.

A report to the Federal Power Commission of April 1960 lists the peakload anticipated in the Utah-Idaho area for 1960. The report also shows that there is installed capability available to carry this load, with a surplus in excess of 376,000 kilowatts. This same report shows that in 1963 the surplus (and this figure does not include Burns Creek) will be over 350,000 kilowatts. To assure ample power in the region Utah Power & Light Co. and other utilities in the immediate area will install almost 1 million kilowatts in the next 6 years. This capacity, provided at not 1 penny of cost to the Federal Government, will be entirely adequate to meet the total power requirements in the area including those of the preference customers.

We maintain, as we have maintained from the very first, that the $50 million Burns Creek project is not a reclamation or a water development project but purely and simply a Government power project which would, in an average water year, dump about one-half billion kilowatt-hours on an area where no power shortage exists now nor will exist in the future.

To summarize:

1. Irrigation benefits—100,000 acre-feet of storage which might be used two or three times in a 50-year period—are too insignificant to justify this power project.

2. Burns Creek is a power project, pure and simple, 98 percent being allocated to power, and it would produce power for sale in an area where there is a power surplus.

3. It is an uneconomical project. By itself it can never pay off, and integrated with Palisades it would destroy the ability of Palisades to contribute to the financial assistance of other worthy irrigation projects beyond the next half century.

4. Need for reregulation has not been demonstrated, and even if it should be, such reregulation could be provided at an estimated cost of $4,500,000 rather than the $50 million required for Burns Creek.

5. Burns Creek would embark the Bureau of Reclamation on a program of public utility responsibility, which is a complete departure from the long established concept of reclamation.

For the foregoing reasons, we submit to your committee that S. 66 should not be approved.

Thank you, Mr. Chairman.

Senator CHURCH. Thank you.

The principal pertinent objection as I understood it is that you feel that Burns Creek ought not to be integrated with Palisades, and Burns Creek power ought not to be sold at a Palisades rate for, in your words, that means that Palisades subsidizes Burns Creek, is that right?

Mr. HUNTER. That is right. I think Palisades is an excellent project. If you look at the chart, there is relatively small amount of reimbursable cost. It will pay out in total in 33 years, and you start building up a surplus very rapidly which can be used to aid irrigation projects, which is my understanding of what the reclamation is supposed to do. But if you saddle the tremendous investment, by comparison, of Burns Creek on Palisades, you do away with any possibility of any surplus revenue being available for many, many years in the future.

Senator CHURCH. Is this a new or a novel procedure? Doesn't the Bureau or hasn't the Bureau for many years established a system rate and then it builds its plants within the framework of that system rate and doesn't attempt to charge a different rate based upon where the electricity comes from, a different rate for every plant? I thought this was a well-established procedure that the Bureau has engaged in for some time, and also the Bonneville Power Authority has used this system rate.

Mr. HUNTER. I won't argue about the concept of integration as far as rates are concerned. But this, to me, appears to be a concept contrary to the reclamation idea, of where you take surplus revenues from the good project and help pay out a reclamation project that maybe is not quite so good.

Here you have a concept that is contrary to that. You take revenues from a good reclamation project, you do not use those surplus funds to pay for a reclamation project, to help it along, but you pay for a power project, pure and simple.

Senator CHURCH. You and I see the merits of the Burns Creek project differently. You feel it is a poor project and I feel it is a good one. But the question is: Are we departing on a new or novel or different or unsound procedure in establishing a system rate and selling Burns Creek power at that Palisades system rate? It seems to me we are merely continuing a well-established procedure that the Bureau has long honored and that the Bonneville Power Authority has long honored. The power costs at Grand Coolee are so phenomenally low that it has been possible for other dams to be built, like McNary, on the Columbia River, which have been built at a considerably higher cost, owing to increases in construction costs and the different characteristics of the facility and the site, and yet because Grand Coolee is producing power at a very phenomenally low rate, an upstream storage that we hope to get now in Canada by virtue of the Canadian treaty that the Foreign Relations Committee just reported out yesterday will give us additional power at a phenomenally low rate, it is possible to build higher cost projects, integrate them into the system and let the whole system produce at a system rate. That is something that is done by power companies, isn't it? Don't you do it yourself?

Mr. HUNTER. Yes, but I think there is one basic difference. An investor-owned utility has the responsibility, is charged with the responsibility, of supplying power in an area, and I do not believe that the Bureau of Reclamation has that responsibility, at least at the present time.

Senator CHURCH. I think that is still a different argument. On the charts here that you have presented, does the Bureau have any comment on these charts?

Mr. BENNETT. I am sure these are the charts that we worked up some 2 years ago, as reflecting the Palisades payout table which we had at that time.

Senator CHURCH. I don't know that I understood your answer. These are charts prepared by the Utah Power & Light Co. Did I understand you correctly? It is a quarter to seven and I may not hear quite right. Will you restate your answer to my question?

Mr. BENNETT. You will recall, Mr. Chairman, when we were up here before, I think it was 2 years ago, Senator O'Mahoney at that time asked the Bureau and the Utah Power & Light Co. to get together on charts which did reflect graphically what happened both as to Palisades only and as to the two combined. These are the charts which resulted from those efforts. They are the same charts, I am sure, that were printed in the previous hearings, and, as such, do substantially reflect graphically the payout table we had at that time.

Senator CHURCH. Has that payout table been modified by the new computations you made?

Mr. BENNETT. Yes indeed, on some important aspects.

Senator CHURCH. I think you gentlemen ought to review in detail the cost figures that the Utah Power & Light Co. has now submitted on this project, and we will hold the record open for such comment as the Bureau cares to make in the matter so that we can be sure that the record contains a full presentation of both sides.

(The Bureau of Reclamation subsequently submitted the following statement in response to the foregoing request:)

STATEMENT BY THE BUREAU OF RECLAMATION

As previously stated the charts presented by Utah Power & Light reflect substantially the payout study in use by the Bureau in March 1959. The Bureau, by letter dated April 16, 1959, which is printed on page 59 of the record of the hearing on S. 281 (86th Cong.) indicates that the charts do not exactly reflect the Bureau's payout study because the operation and maintenance expenses used in the power company's study were slightly escalated over those used by the Bureau.

If similar charts were made based upon the payout studies currently in use, and which formed the basis of the Bureau's testimony here today, they would take on a similar form but would be different in the important aspects of time and rate.

The following tabulation compares certain key dates and figures from the power company's charts with the dates and figures from the Bureau's current payout analysis.

*Tabulation*

PALISADES ONLY

| Item | Shown on power company's chart | From current payout |
|---|---|---|
| Commercial power allocation [1] | $12,851,462 | $11,890,810 |
| Irrigation power | $8,214,760 | $7,596,681 |
| Irrigation assistance | $13,916,600 | $15,045,674 |
| Date commercial power allocation is paid out | 1970+ | 1969 |
| Date irrigation power is paid out | 1977 | (2) |
| Date irrigation assistance is paid out | 1990 | 1988 |
| Surplus in year 2016 | $30,341,964 | $35,566,437 |
| Surplus in year 2028 | (2) | $49,400,000 |

PALISADES AND BURNS CREEK INTEGRATED

| | | |
|---|---|---|
| Commercial power allocation [1] | $60,723,462 | $58,642,436 |
| Irrigation power | 8,214,760 | 7,596,681 |
| Irrigation assistance | 13,990,600 | 15,599,674 |
| Date commercial power allocation pays out | 2005+ | 1997 |
| Date irrigation power is paid out | 2009 | (2) |
| Date irrigation assistance is paid out | 2015 | 2006 |
| Surplus in year 2016 | $1,776,196 | $22,245,333 |
| Surplus in year 2028 | (2) | $49,400,000 |

[1] Includes interest during construction.
[2] Not shown.

Senator CHURCH. Senator Hickey?

Senator HICKEY. Mr. Hunter, I have one short question.

As I read the purpose of the bill, I take it that the only thing that you are in any degree in accord with is the requirement to provide facilities for river regulation, that the other things seem to you uneconomical and infeasible. You have not touched on the proposition of "to enhance reclamation units."

It seems to me from my observation as a Governor that, true, many of these were initially irrigation projects, and then the power picture came into the thing, and now a new picture, a reclamation picture is coming in and coming in very definitely in all of these systems. Certainly in Wyoming that is true.

Could you tell me from your experience in this field what effect recreational systems have as against the power operation?

Mr. HUNTER. I could not give you an exact comparison on how it compares with power. But I agree with you thoroughly, Senator, the recreation is a very valuable thing.

We know that it brings in tourists to the area, they spend a lot of money while they are in the State. It is something that accrues very definitely to the benefit of the local areas. But, inasmuch as only about $49,000 were allocated to recreation in this case, I thought that was rather minor and I did not pay that any particular mind.

Mr. NAUGHTON. Mr. Chairman, if I might make this comment to Senator Hickey's question and statement, we are building a beautiful recreational reservoir covering some 1,100 acres just north of Kemmerer, and we are going to make that available to all the people in the area. I hope the fishing and the duck hunting and everything is very good there. But, of course, we cannot collect any revenue. That is our contribution to the area.

Senator CHURCH. I have no further questions, gentlemen.

Thank you for waiting so long.

Mr. NAUGHTON. Thank you very much.

Mr. HUNTER. Thank you, sir.

Senator CHURCH. Our next witness is Mr. Robert Hogg of the Idaho Power Co.

I would like to welcome you here, Mr. Hogg.

I wonder if, in the interest of time and the lateness of the hour, you could submit the statement and give us a summary of it?

Mr. HOGG. I have a résumé which I intended to give.

Senator CHURCH. Thank you.

## STATEMENT OF ROBERT A. HOGG, COMMERCIAL MANAGER, IDAHO POWER CO., BOISE, IDAHO

Mr. HOGG. Mr. Chairman and members of the committee, I am Robert A. Hogg, commercial manager, Idaho Power Co., Boise, Idaho. Mr. T. E. Roach, president and general manager of Idaho Power Co., had hoped to be here also, but this became impossible because of a conflicting hearing on the west coast. We request that Mr. Roach be permitted to make a statement at any subsequent hearing that may be held by this committee on the Burns Creek legislation.

I have a statement I would like to submit for the record in opposition to the Burns Creek project.

Briefly, the Idaho Power Co.'s opposition to the Burns Creek project is based upon a number of reasons.

First, so far as there is any need for a reregulation dam below Palisades, the basic reason originally given for justifying the project, that need would be completely filled by a dam of not more than 17,000 acre-feet, costing in the order of $5 million, not this present $50-million plan.

Second, it is not an irrigation project. The talk about there being 100,000 acre-feet of water available is somewhat of a smokescreen. This capacity would be merely a small percentage addition to the capacity now available, and only as supplemental water to those projects having Palisades contracts. It would be a very uncertain water supply, being in the same class with Palisades, which has 900,000

acre-feet of empty capacity at the present time. When Burns Creek water might be both available and needed, possibly only two or three times in 50 years, it would furnish only a small amount of extra water to these lands.

Third, the capacity of Burns Creek powerplant below the hard-to-fill reservoirs of Palisades and Jackson Lake would be a threat every year to the filling of those reservoirs with needed irrigation water. The operation of the powerplant would probably waste far more irrigation water than could possibly be saved by Burns Creek.

Fourth, there is no need for the project as a power project for the reason that there is now and will be for a long time in the future a surplus of power in the area.

Fifth, all demands for irrigation pumping power have been and are being met by a supply which time has proven to be economically feasible and which has resulted in an annual increase in the order of 50,000 acres of irrigated land, most of it in the area served by our company.

Sixth, that the money proposed to be spent for this project would be of far greater value to this very portion of Idaho if used to build the Fremont Dam on the nearby lower Teton River, which is truly a multiple-purpose project.

In support of the foregoing points, I point out that:

Burns Creek is not a reclamation project in any sense of the word. Idaho Power Co. has supported all sound reclamation projects in Idaho for over 40 years, including Palisades and Anderson Ranch Dam. Reclamation is important to our present business and our future growth. Over 72 percent of presently irrigated land in southern Idaho is in our service area. Sixty-five percent of the arid land that has been reclaimed by deep well pumping since World War II has been in our service area. Eighty-four percent of the arid land susceptible of irrigation and the land needing supplemental water in the near future is also in our service area. We wholeheartedly endorse true reclamation but not a power dam under the guise of reclamation.

That Burns Creek is not a reclamation project is explicit in the record of the previous hearings on this subject, it being clear that water for irrigation is only a minor part of the project. The 100,000 acre-feet of capacity purportedly available for irrigation water would actually furnish water only two or three times in each 50-year period. The water available from this space would be only supplemental water subject to use on 650,000 acres of land already having Palisades contracts and at best would be less than 2 inches of water on each acre. This would be less than 4 percent of the average diversions per acre for irrigation in that area. In a dry year the total water shortage will be in the order of 2,568,000 acre-feet, and 100,000 acre-feet of capacity would furnish only a small amount of water and that is only available for certain presently irrigated lands.

Out of the potential projects in the upper Snake River area, Burns Creek is the most expensive storage site per acre-foot of usable capacity. Not one new acre of land will be irrigated by the water from this project.

Burns Creek would be a constant threat to the irrigation water supply because it would necessarily be in competition with irrigation for storing water in the winter months. This year of 1960 and 1961

about 150,000 acre-feet of water that could have been stored for irrigation in Palisades, for use in the upper valley, was released from Palisades for power purposes. This water would be of far greater value this coming July and August if it had been held in Palisades for irrigation use in the upper valley in those months.

On the Snake River prudent water management requires every year the retention of water in the upper reservoirs, namely, Jackson Lake and Palisades, to assure their filling, so long as there is any possibility of spilling water over the American Falls Dam, the lowermost project, and wasting it forever so far as irrigation is concerned.

American Falls will in all probability fill every year; therefore, water discharged from Palisades for winter power production would in most years be spilled and lost. The location of Burns Creek below Palisades adds to this problem. Either the winter power production of this plant must be greatly reduced or the danger of losing irrigation water by spillage over American Falls will be greatly increased.

Burns Creek is a powerplant not needed in this area because there is a surplus power in the area now, and there will continue to be such surplus in the foreseeable future. The most recent joint forecast made by the Utah Power & Light Co. and the Idaho Power Co. shows that with the planned generation construction, and allowing for future load growth including 30,000 horsepower per year for irrigation pumping, there will still be surplus capacity for the 1961–72 period. This surplus in July will average 332,000 kilowatts and range between 144,000 and 505,000 kilowatt and in January will average 447,000 kilowatt and range from 248,000 to 636,000 kilowatts.

The summer power production at Palisades is not now being used by the Bureau of Reclamation customers but is being sold to the utilities as dump power. There is no power shortage in the area for Burns Creek to meet.

Burns Creek is not needed to promote, encourage, or enable ground water pumping to irrigate new land. No one in the past has been prevented from developing greater amounts of water for irrigation either because of shortage of power or of the cost of power.

The Utah Power & Light Co. and Idaho Power Co. have supplied power to pump water for 80 percent of all land irrigated in such manner since World War II. More recently nearly 95 percent of the land irrigated by wells is supplied by water from pumps operated by power from the two utilities. The remainder of the pumps, increasing only about 2,000 horsepower a year, are those in the area served by the Bureau preference customers. Burns Creek will not reduce the cost of pumping power to the people in the area of these preference customers, since the Bureau proposes to sell even its irrigation power to such customers at the same rate as other firm power.

The cost to irrigators of power to irrigate is a variable item, determined largely by the depth from which it is pumped. The cost depends upon the lift (depth of well), the quantity of water pumped, and the crop. We have many customers whose cost of power per acre is in the order of $3. The mean depth of the wells of our larger pumping customers is about 150 feet. These wells could use 3 acre-feet of water per acre, an adequate supply, and have a power cost in the order of $5.50 per acre.

I reiterate that we endorse and support all sound reclamation projects, but Burns Creek is not a reclamation project and will only defer the construction of legitimate reclamation projects, such as the Fremont Dam on the Lower Teton, which has been requested by the people who have not enjoyed the benefits of Palisades water.

That concludes my statement.

(The complete statement follows:)

STATEMENT OF ROBERT A. HOGG, COMMERCIAL MANAGER, IDAHO POWER CO.

My Name is Robert A. Hogg, commercial manager of the Idaho Power Co., in Boise, Idaho. I appreciate the opportunity of expressing our views on the Burns Creek proposal before your committee. Mr. T. E. Roach, president and general manager of Idaho Power Co., had hoped to be here also, but this became impossible because of a conflicting hearing on the west coast. We request that Mr. Roach be permitted to make a statement at any subsequent hearing that may be held by this committee on the Burns Creek legislation.

We are appearing in opposition to S. 66 and H.R. 36 and 378, for the construction of the Burns Creek development, as an electric utility company now serving in the area involved, with an ample supply of reasonably and fairly priced electric power, as a longtime and consistent supporter of sound reclamation development in southern Idaho, and also as the largest taxpayer in the area involved, both from the standpoint of Federal and State taxation.

We oppose the Burns Creek legislation for the following reasons:

(*a*) Burns Creek is not a reclamation development, but primarily a power project, and was so described by the Assistant Commissioner of Reclamation. Over 98 percent of the total project cost is allocated to commercial power business.

(*b*) Burns Creek would produce power which is not needed, in an area where abundant power surpluses exist. Furthermore, this power would be principally summer power to add to the surplus which the Bureau of Reclamation already produces, and which can only be sold to the utility companies as unfirm seasonal and dump energy. Burns Creek would simply add more of the same, if it could be used at all.

(*c*) The irrigation benefits are so limited, with an allocation of only 1.7 percent of the total project cost, that they cannot begin to justify this $50 million power proposal. Furthermore, the 100,000 acre-feet of irrigation storage provided would be usably only two or three times over a 50-year period.

(*d*) The Burns Creek power dam is not needed for reregulation of the flows from Palisades. If any such reregulation is desirable, a 17,000-acre-foot reservoir would completely fill the need, and this could be built for approximately $5 million, instead of $50 million.

(*e*) Instead of being an aid, Burns Creek would be a hazard and a threat to storage of irrigation water.

(*f*) Burns Creek would also be a hindrance to the obtainment of future funds for sound reclamation development, as it would take $50 million of Federal moneys for what is actually a power project under the guise of reclamation. If $50 million is available to spend in southern Idaho, there are sound multiple-purpose reclamation projects for which it should be used.

Burns Creek is neither multiple purpose, nor is it a reclamation project. It is fundamentally a power dam, with over 98 percent of its cost allocated to commercial electric plant. It is an expensive power development with an installed allocated cost per kilowatt of over $500, as compared with only $185 for Palisades. It is an uneconomic power development, either standing by itself as a power installation, or as an adjunct to an otherwise sound reclamation project, namely, Palisades. Burns Creek would fail by $311,000 per year to meet its own interest obligations, at 3 percent on its power allocation investment. Combined with Palisades, Palisades would have to pick up this deficit. This would result in postponing payout for the Palisades project for some 26 years. During that extended period of a quarter of a century, when Palisades would otherwise be providing a $30 million surplus available for worthwhile reclamation appropriations, Burns Creek would eat up and entirely wipe out this entire surplus to pay for its own commercial power installation.

The true nature of the Burns Creek power dam proposal is brought out by its cost allocations, as made by the Bureau of Reclamation. "Commercial electric plant, $47,872,000 or 98.2 percent; irrigation, $849,000, only 1.7 percent; fish, wildlife, and recreation, an insignificant $49,000, 0.1 percent." But here are the telling absences of cost allocations: nothing for irrigation electric plant, nothing for Palisades reregulation, nothing for flood control, nothing for navigation.

Assistant Commissioner of Reclamation, N. B. Bennett, testified that "We have no flood control in Burns Creek." Mr. McBroom of the U.S. Fish and Wildlife Service testified that "There are no fish and wildlife benefits in this project." As to irrigation, the reports show that Burns Creek will not irrigate a single acre of new land; instead, the reservoir would inundate 1,400 acres of cultivated lands and 2,800 acres of grazing lands and pasture. The lack of importance of the reregulation feature is indicated by the absence of any cost allocation whatever, and this is the more astounding for a project as to which it was claimed that "the prime purpose * * * is the reregulation of releases from Palisades."

Idaho Power Co. has a long and consistent record in supporting sound reclamation developments, including Palisades and Anderson Ranch, in southern Idaho. Through a long series of contracts with the Bureau we have provided transmission of Bureau power over our lines to its customers, and have provided substantial revenues to assist in project payout through the purchase of dump and surplus energy which would otherwise have gone down the river as wasted water.

Our existing integration contract provided the Bureau with an added firm load carrying capability of 30,000 kilowatts, actually more power than is expected from Burns Creek, and this without the expenditure by the Government of any capital funds. In addition, the contract provides for transmission of Government power, the integration of the Government's powerplants all across southern Idaho, and a market for the sale of the Bureau's dump and surplus energy (which would otherwise be wasted) in order to insure the feasibility of the Palisades project. We shall continue to support sound reclamation projects.

### THERE IS NO POWER NEED OR SHORTAGE IN THE AREA

It has been claimed that Burns Creek is needed to supply the power demands of the Bureau's customers in the southeastern Idaho area. This, however, confuses "need" with "desire" on the part of certain preference customers who want the Bureau to install more subsidized, tax-free power for them and for them only. This is on the premise that the Bureau of Reclamation must provide the capacity to serve the commercial loads of its customers, including several cities and towns. This is just plain, ordinary commercial power business, in an area that is not only fully supplied with power generating capacity by investor-owned utility companies, but with large existing reserves for future growth. And the property and business of these companies is taxpaying utility property and taxpaying utility business. In this connection, the Bureau's studies show an estimated loss in taxes, as a result of the Federal construction of the Burns Creek power facilities, of $472,000 annually.

The Idaho Power and Utah Power & Light Cos. are the principal power suppliers in the southern Idaho territory. They file each year with the Federal Power Commission a report of the capacities and loads of their combined systems. The last report filed in 1960 shows a reserve or surplus of over 376,000 kilowatts at the end of 1959. At that time the combined generating capacity was 1,560,000 kilowatts. By 1963 the two companies will have approximately 1,700,000 kilowatts of capacity installed, with plans for adding another 1,200,000 kilowatts by 1972.

Between 1961 and 1972 there will always be a substantial area reserve or surplus capacity available, after making generous allowances for estimated future load growth, including continuing increases for irrigation pumping. At times, immediately after powerplant additions, these power reserves will total 636,000 kilowatts.

It is into this kind of an area power situation that the Bureau would introduce a $48 million powerplant with an unneeded 90,000 kilowatts of additional installed capacity.

Speaking of the Idaho Power Co. alone, at the end of World War II in 1945, we had 105,705 kilowatts of system generating capacity. During the period 1946 to December 31, 1960, we invested $292,168,000 of new capital in additional

plant facilities, including an increase in generation capacity of 810,000 kilowatts. In 1960 our capacity exceeded our peakload by approximately 54,000 kilowatts. With the completion of Oxbow in the fall of 1961, our system capacity will be increased to 1,028,000 kilowatts, with an estimated surplus over peakload of 191,000 kilowatts. With the completion of Hells Canyon our 1965 capacity will be 1,416,000 kilowatts, with an estimated reserve of 370,000 kilowatts, after allowing for all foreseeable load growth.

There is no question of the intention or ability of Idaho Power Co. to supply fully the power needs of the southern Idaho territory. In our service area, and, in fact, throughout southeastern Idaho, there has never been a power shortage, there has never been a "brownout," and power has never been rationed, as has happened in certain other parts of the Northwest.

I refer to a report on Burns Creek which is included in the record of the 1960 hearings on H.R. 1235 and S. 281, together with a letter dated February 12, 1960, from Representative John Taber to the Federal Power Commission. Referring to a memorandum of a member of the Commission's staff, the report quotes him as follows:

" 'It should be noted that the need and purpose of the Burns Creek unit is to meet the specific load requirements of the Bureau's preferred customers.'

The report then continues:

"As noted, the loads of these preferred customers are now being served and there can be no question about them being served in the future without the construction of Burns Creek. It is therefore quite clear that there is no real need for Burns Creek power. * * * To confuse 'desire' and 'purpose' with actual 'need' is inexcusable and misleading."

The records of past hearings have made it clear that the fundamental purpose behind the Burns Creek power development is not reregulation, not irrigation, but to provide additional power for the loads of the Bureau's commercial customers, who also happen to be "preference customers"—not for reclamation development, but for sale to cities, towns, co-ops, and REA's, for resale for ordinary residential, farm, and commercial business. This is akin to having the Bureau go into the power business, assume a "public utility responsibility" for the benefit of these preference customers, in an area where there is a power surplus at the present time and foreseeable for years to come, and then sell this power to them at less than actual cost.

The lack of importance of irrigation in this scheme is apparent from the 1957 Burns Creek report (H. Doc. 147, 85th Cong., 1st sess., p. 12), which states that although the reservoir capacity would be 234,000 acre-feet—"Assignment of more than 100,000 acre-feet of this total to irrigation is not financially feasible because of the reduction in power revenues that would result." Thus, irrigation storage space is denied the irrigators in order to provide dead storage to build up power head, so that more power can be generated for sale to preference customers at a loss.

The small amount of storage allowed for irrigation from Burns Creek—100,000 acre-feet—is less than half the capacity of the reservoir. As an aid to irrigation, this is a negligible amount, and is so recognized by the allocation of only 1.7 percent of the project cost to irrigation purposes. The 100,000 acre-feet of irrigation storage would only be usable two or three times in a 50-year period. It is a supplimental supply for 650,000 acres of land—less than one-sixth of an acre-foot (2 inches) of water to the acre, as compared with the 5 to 6 acre feet normally diverted for irrigation during a season. In the dry years when this storage would be used, the total water shortage will be 2,568,000 acre-feet, as against which the 100,000 acre-feet from Burns Creek is infinitesmal, and actually of little practical value.

Of all the potential projects in the entire upper Snake River area, Burns Creek is the most expensive storage site per acre-foot of capacity. Not 1 new acre of land will be irrigated by the water from this project.

### POWER FOR IRRIGATION PUMPING

It has been claimed that Burns Creek power is necessary in order to continue the present growth of irrigation pumping. This assertion may have been due in part to the statement of the regional director of the Bureau that Palisades power was being delivered for irrigation pumping at the rate of 4.7 mills per kilowatt-hour. He went on to say that the same rate would apply to Burns Creek power, but did not mention that this would be below cost. Further, this

rate is not available to general customers but only to pumpers on Federal reclamation projects, and does not include charges for the investment in meters, transformers, and services to the wells. Mr. Nelson stated that this rate came to about $4.60 per acre on the Minidoka Northside Division, as compared with about $10.40 per acre under Utah Power & Light rates.

Irrigation pumping cost comparisons can be highly misleading. Such cost has many variables, depending on the lift (depth of well), the quantity of water pumped, kind of soil, and the type of crop. We have pumping customers whose cost of power per acre is as low as $3. We have customers using sprinkling systems with wells with an effective lift of over 500 feet, and their cost per acre is around $10. We have estimated that the mean depth of wells of our larger pumpers is about 150 feet, and that they could use 3 acre-feet per acre, for a power cost of approximately $5.50 per acre. And it must be remembered that in 1960, over 30 percent of this amount is taxes.

Idaho Power is the principal supplier of irrigation pumping power in southern Idaho because (1) we have had and will continue to have the power and facilities ready to serve new customer requirements, and (2) the major part of the potential land with available ground water is in our service area.

During the period 1950–60, the number of pumps which we served increased from 1,903 to 5,632. Our pumping load during this period increased from about 30,000 horsepower to 230,000 horsepower. We expect the continued addition of about 20,000 horsepower per year for irrigation pumping for a number of years to come. During the above period we have supplied pumping power for 321,000 additional acres of land, all of it newly reclaimed from the desert.

There is certainly nothing in that record to indicate that subsidized, tax-free Government power is required for irrigation pumping development.

### PALISADES REREGULATION

If a reregulation reservoir is desirable at Burns Creek, this could be provided at a cost of about $5 million. The need for any sizable reservoir for the reregulation of river flows due to releases from the Palisades Reservoir has never been shown. In fact, all the testimony in all the hearings, including the evidence submitted by the Bureau, is to the contrary.

In the Bureau of Reclamation's basic report on the Burns Creek project, the report of the Bureau's regional director states:

"*Regulation of Palisades releases.*—The storage capacity required to reregulate Palisades powerplant releases is estimated to be 17,000 acre-feet. This capacity would completely smooth out Palisades releases if that plant operated at full capacity, 14 hours a day for 5 days a week and shut down the remaining 2 days."

That fact has never been denied. In a letter to Congresswoman Gracie Pfost dated February 20, 1960, the regional director stated:

"The 17,000 acre-feet of pondage would allow uniform releases to be made downstream past all canal headings at all times."

and he went on to state, as to the lack of need for reregulation:

"It should be emphasized at this point that Palisades standing alone is completely sound and the reregulation suggested by FPC was not for the purpose of providing additional regulation downstream but for the purpose of providing upstream fluctuations to make an even better use of machine capacity and investment already in the Palisades powerhouse."

The record is clear that a 17,000 acre-foot reservoir would provide all that is needed to make the most efficient use of the Palisades powerplant and its peaking capabilities. Such a reservoir could be constructed for approximately $5 million, and the financing of this cost would extend the Palisades payout period by only 5 years, instead of 26 years (with the loss of $30 million of surplus) that the Burns Creek power dam would impose.

### BURNS CREEK A THREAT TO IRRIGATION WATER NEEDS

The addition of the proposed Burns Creek powerplant between Palisades and American Falls Reservoirs will create an additional hazard or threat to the irrigation water supply of the entire Snake River Valley across southern Idaho. Both Jackson Lake and Palisades are hard-to-fill reservoirs. The filling of these two reservoirs must be annually planned and coordinated in conjunction with American Falls Reservoir. American Falls Reservoir is the easiest to fill on the stream and will probably fill every year, as a result of the uncontrolled

inflows above it and the return flow from the irrigated areas upstream. The history of the past years indicates that the probability of American Falls inevitably filling each year has increased materially since the Palisades studies were made. And the importance of this is, that any water spilled past American Falls Dam during the nonirrigation season, as a result of that reservoir being full, is forever lost as irrigation water.

As a result of the foregoing, there is a sharp conflict between the need to hold water in Jackson Lake and Palisades Reservoirs during the winter season, until the complete filling of both of these reservoirs is assured, on the one hand, and any need to release water from Palisades for the production of power, on the other hand. A good example is the fact that during the current 1960–61 season, at the insistence of the irrigation interests, releases from Palisades during the winter have been held down to that minimum flow which is necessary to preserve the fishery resources and supply the older prior power rights of the city of Idaho Falls. This procedure has, of course, reduced the power output of the Palisades plant. All season there has been, and annually there will inevitably be, a controversy between irrigators who request this reduced release from Palisades and those interested in high power production at the Palisades plant. If a Burns Creek powerplant were interposed a short distance downstream from Palisades, this conflict will be increased. Two things would inevitably occur. The output of the powerplant would have to be reduced if during the nonirrigation season there was wise and prudent management of the river, to the end that there would be, every year, absolute assurance that Jackson Lake and Palisades Reservoirs would be filled. And there would be the added pressure by those desiring high power production at Burns Creek for releases of water from Palisades which would in all probability spill over American Falls, as a result of its inevitably filling, and be lost forever for irrigation use. In other words, another powerplant below a hard-to-fill reservoir would merely compound an already existing problem.

In conclusion, we urge that if Congress is willing to authorize the expenditure of $50 million for southern Idaho at this time, it should be spent for genuine reclamation, and not for an unnecessary Government power project that could not even pay its interest costs. One reclamation project, which I understand is strongly endorsed by the people of the upper Snake River Valley, is the lower Teton irrigation development and Fremont Dam. It is reported on in the Preliminary Summary Report on the Upper Snake River Basin prepared jointly by the Bureau of Reclamation and Army Engineers, under date of November 1960. It is described as "a major multiple-purpose project required to develop the full potential of the Teton River for flood control, irrigation, power and recreation." The water users of the upper Snake River Valley and the Committee of Nine, representing approximately 1,025,000 acres of irrigated land in southern Idaho, in a resolution adopted March 6, 1961, said, in part, that the Fremont Dam is "one of the most practical, beneficial, and feasible projects" in the Upper Snake River Basin Report, and that "this project should receive immediate consideration and preference."

If economic reregulation of Palisades flows is desired, it could be obtained with a reservoir that could be built for about $5 million.

Another possible benefit could be brought about at Palisades Dam itself. At present, streamflows and irrigation requirements provide far greater water releases at Palisades than the amount of water required to fully operate the entire capacity of the Palisades powerplant. If added summer power were needed for irrigation pumping, which is not the case, it could be simply and cheaply supplied by adding one or possibly two additional generating units at the existing Palisades powerplant. Such an installation could be made for an estimated $80 per kilowatt, or $4 million for 50,000 kilowatts of capacity. These additional generators would create electrical energy from water that, at present, must be wasted past Palisades during the summer months.

A double irrigation benefit could thus be obtained: (1) the Palisades reclamation project would receive additional revenues to assist the project payout, and (2) the added generating units would not impose any conflicting demand for winter releases of water from Palisades because winter water releases cannot utilize more than a small fraction of the presently installed power capacity.

An entire program such as this, and there are undoubtedly other alternatives, would cost less that the $48 million allocated to the Burns Creek commercial power facilities.

SUMMARY

In summary, Idaho Power Co. opposes the proposal for the Burns Creek project for the following reasons:

1. Burns Creek is in fact a commercial power project, with 98 percent of its cost allocated to power. It is a costly and uneconomic power project that cannot stand by itself. It violates the long-standing concept that byproduct reclamation power revenues be used to aid excess reclamation costs. In contrast, Burns Creek must depend upon the Palisades reclamation project for a $30 million subsidy to finance its commercial power installation.

2. The actual purpose of Burns Creek is to provide, at the expense of reclamation, additional supplies of subsidized, tax-free power for the benefit of a few preference customers. The principal use of this power by the preference customers, including the cities of Idaho Falls, Burley, and Rupert, will be for commercial rather than irrigation purposes.

3. The area has a plentiful supply of power for all requirements, present and future, and a surplus of power far in excess of the entire Federal powerload in southern Idaho.

4. Not a single acre of new land would be developed as a direct result of Burns Creek. The description of Burns Creek as a reclamation project is in fact a disguise for its primary power purposes.

5. No requirement exists for Burns Creek power to supply irrigation pumps. Some 600,000 acres of productive cropland are presently irrigated by pumping, including 500,000 acres being served by investor-owned electric companies. Over the past 10 years new land has been developed by use of pumping at the rate of about 50,000 acres per year, only a small fraction of it being served by Federal power.

6. The need for a sizable reservoir for the reregulation of releases from Palisades has never been shown. The insignificance of the reregulation benefit claim is evident by the lack of any cost allocation whatsoever for that purpose. If a reregulation reservoir is desirable at Burns Creek, such a reservoir could be constructed at a cost of about $5 million or one-tenth the cost of the Burns Creek power project.

7. The addition of the proposed Burns Creek powerplant will create a hazard to storage of the irrigation water supply of southern Idaho. There is a sharp conflict between the need to hold water in Palisades and other upstream reservoirs and need to release water from Palisades for the production of electric power for the preference customers. The experience this year has demonstrated that fact. If a Burns Creek powerplant is interposed, this conflict will be increased.

8. The Burns Creek power project would impose a financial drain upon the revenues from Palisades, requiring $30 million from Palisades which could otherwise, at the will of Congress, be more wisely invested in genuine reclamation and storage projects in the area.

Idaho Power has been a long and consistent supporter of sound reclamation programs in southern Idaho. The company provides a standby market for surplus power from Bureau of Reclamation projects in the area, power that otherwise would be wasted. This provides substantial revenues to aid in the payout of reclamation projects. The company's integration contract with the Bureau of Reclamation firmed up the Bureau's dependable generating capability to the extent of an additional 30,000 kilowatts, which is more firm power than is expected from Burns Creek, and this was accomplished without the expenditure by Government of any capital funds. The company will continue its support of sound reclamation programs but will oppose Federal power programs masqueraded under reclamation colors.

Senator CHURCH. Senator Hickey?

Senator HICKEY. I have no questions, Mr. Chairman.

Senator CHURCH. I have no questions. Thank you for your appearance.

Mr. HOGG. Thank you.

Senator CHURCH. The next witness is Mr. Jack K. Busby, president, Pennsylvania Power & Light Co.

You may proceed, Mr. Busby.

Mr. BUSBY. May I say that I appreciate the interest and the stamina of the chairman and the committee.

Senator CHURCH. I appreciate the patience you have shown in waiting so long to testify. I know you are a very busy man. We are happy to welcome you.

## STATEMENT OF JACK K. BUSBY, PRESIDENT, PENNSYLVANIA POWER & LIGHT CO., ALLENTOWN, PA.

Mr. BUSBY. Mr. Chairman and members of the committee, I am Jack K. Busby, president of the Pennsylvania Power & Light Co., Allentown, Pa. I want to thank the committee for granting me this opportunity to testify.

By way of background information regarding my appearance here, I point out that Pennsylvania Power & Light Co. has the privilege of providing electric service for more than 700,000 customers in central eastern Pennsylvania. The company is owned by some 97,000 shareowners. These customers and shareowners and 6,000 employees are directly affected by Federal legislation in the electric utility field.

Since the company operates on a regulated cost of service basis, our customers have a large stake in Federal tax and spending policies. Federal income taxes paid by the company are ultimately paid by these many customers in their bills for electric service. These customer-taxpayers may be considered, in part, as exporters of tax moneys to be spent on projects in other regions.

Natural resource development is a matter of major concern for every thoughtful citizen. I want to make perfectly clear that I am in favor of the development of our water resources. I recognize that water resource projects frequently involve Federal participation and often are appropriately undertaken solely by the Federal Government.

My objection to Burns Creek is not a doctrinaire one embracing all water projects, but is on the ground that this particular project involves an unwise allocation of national resources, and is thus incompatible with the public interest.

If we are to have a satisfactory rate of national economic growth, then we must apply our resources wisely and in such a way to yield substantial net gains. Even the vast resources of this country are finite and limited. We must maximize their usefulness. This principle is just as applicable to the Government sector as it is to the business sector. Consistent with this approach, Government proposed water resource projects and as I see it should be appraised by criteria of economic efficiency. The aim should be to thoughtfully determine net effects on the national economy.

A principal tool as testimony supports is benefit-cost analysis. When properly applied, such analysis will provide a reasonable basis for distinguishing good projects from bad and permit a rational ranking of projects in order of priority and merit. From the national point of view, benefits should be primary, tangible benefits that are measurable in money terms.

I believe this is the approach that has been taken in these hearings.

Intangible benefits may, oftentimes, be important to the decision-making process, but they are better described and evaluated independently of benefit-cost calculations.

In multipurpose projects involving electric power, the annual benefits of the power portion of the proposed project are usually measured by the annual costs of an alternative source of electricity. In most cases, the alternative cost is that of a steam electric station.

Again, this is the approach that has been taken here.

This is the fact in the Burns Creek situation. And because Burns Creek is for all practical purposes a power project, the extent to which annual project costs for power are less than the alternative cost determines the net benefit, if any.

I believe the record shows, for example, that the power benefits are in the range of $2.8 million, and the costs, taken away from that, are some several hundred thousand dollars, leaving net benefits of about $2.2 million.

The important thing about this comparative analysis is to recognize that its purpose is to enable a choice to be made not in money terms, but between alternative uses of real resources such as labor man-hours, machinery, cement, steel, engineering, talent and so forth. To assure that the choice is soundly made, the alternative cost of the steam-electric power supply or otherwise must be calculated on a basis comparable to the water resource project. As Prof. Otto Eckstein of Harvard puts it:

> The use of different prices would mean that the resources which are used up in the alternatives would not be valued with the same yardstick, and that the final cost estimates used to determine their relative merits would not be comparable from the Nation's point of view.
>
> Among the prices that must be applied uniformly to all alternatives is the rate of interest, the price for the use of capital. Although private steam plants are financed at a higher interest rate than public hydroelectric projects, the difference in the interest rates is partly due to the fact that Government bonds do not reflect the riskiness of power projects. Uniformity of treatment must also extend to the taxes, which are included among costs. If the costs of the public project are estimated with a different set of taxes than the alternative steam plant, the cost of the alternative is overestimated, for the extra taxes do not represent real costs in terms of resources.

I would like to interject here that I thing it is very much to the credit of the analysis approach which the Bureau has consistently taken for many years, that this element of taxes foregone is regularly included by them as a cost and this meets this matter of principle, uniformity of treatments, so that real resources are not misallocated.

But the same practice has not been applied when it comes to rate of return considerations. Here we have a disequality, and the thrust of my presentation is really that this leads us into the danger of misallocating real resources because we get a false impression through the money equivalents of what represents the right value.

In line with this concept, I suggest it is most desirable to ascertain whether or not, on this record, there is uniformity of treatment as regards rate of interest and taxes in the comparative analysis of the Burns Creek project and the alternative cost steam plant. If not, then the benefit-cost ratios submitted in the Bureau report are of questionable validity.

In determining project costs in these benefit-cost ratio computations, the practice has been to use an interest rate in the range of 2½ percent or 3 percent. In the case of Burns Creek, calculations were made on both bases. This is regrettable because this approach—

which is sometimes justified by reference to average interest rates of the Federal debt—results in impairment of national growth objectives. It appears clear that if the Federal Government proposes projects with a net return of 3 percent when there are 8 percent opportunities in the private sector, and then the Government uses the tax mechanism to shift resources disposable income from 8 percent investments to such 3 percent investments, there is an inhibitation of national growth. Likewise, acting entirely within the Government sphere, if projects with 8 percent returns are ignored while projects with 3 percent returns are constructed, there is a serious malallocation of resources and a corresponding inhibition of growth.

What then is a proper rate of return to set as a standard in Government projects such as the Burns Creek project where the point at issue is to determine what is the optimum allocation of real resources?

It can be argued that since a water resource project is a public utility type of investment which under present conditions returns about 6 percent at the margin, this rate of 6 percent should be used. On the other hand, it has been argued that the marginal investment returns in the private sector are not an appropriate standard to use in Federal water resources projects. This position has been taken by Messrs. Krutilla and Eckstein (Krutilla & Eckstein, Multiple Purpose River Development, ch. IV), who have approached the problem on the basis of the social cost of capital derived from an analysis of inter-temporal comparisons among consumers. Their approach is to statistically determine under various assumptions what rate of return will induce consumers to postpone spending and save, and also the analogous effects in the relationships between business taxes and business investment.

The essence of this concept, vital in this area, is the view that if the Government builds investment projects with increased taxes and thereby reduces consumers' income available for consumption, then such projects should provide a rate of return which would presumably have persuaded consumers to increase their savings. In other words, the return on the involuntary investment made through the tax mechanism should equal the return the indivdual consumer would have accepted as satisfactory for a voluntarily made investment. In other words, if the tax mechanism had not taken the voluntariness away from him.

The Krutilla-Eckstein study concluded:

> According to our results, if an efficient allocation of resources is the criterion, only those public investments that can produce a rate of return equal to the opportunity cost—or a rate of 5 to 6 percent—should be undertaken. In operational terms, this would require that an interest rate of that order be used in the evaluation of projects.

From another aspect it has been urged that our present-day obligation to future generations, and the Senator made this point in our discussions today, requires that we now build durable projects, even though such projects are uneconomic as tested by the Krutilla-Eckstein analysis or from the standpoint of returning at least the marginal opportunity cost of capital. In this approach the use of an artificially low rate of return is justified in terms of making a necessary sacrifice for the future. The defect is that the most effective way to increase national wealth for future generations is to make

high rate of return investments now and over succeeding years, and follow a pattern of reinvesting the high proceeds in other high yielding investments as become available from time to time.

Some gentleman from the academic world, Mr. Roland McKean of the Rand Corp. has taken a look at this question of philosophy.

Roland McKean of the Rand Corp. has put it very well in saying:

> The way to provide more wealth (or fewer hardships) for future generations is surely to choose investments with the highest rates of return and to increase the size of current and future investment budgets. To use a discount rate lower than the marginal rate of return in comparing projects does nothing to increase the volume of investment; it merely discriminates in favor of proposals whose benefits occur in the distant future and against projects (education? training?) whose benefits occur in the near future. The only circumstance in which it may preserve more for posterity is when we doubt our determination to reinvest the proceeds as they accrue from current investments.
>
> The argument is similar for one's personal investment choices. If one wishes to save more for his children, should he analyze investments by discounting the streams at an artificially low discount rate? Perhaps so, if he does not trust his willpower in the future and wishes to commit himself to "durable" capital in order to avoid the painful choice between investing and consuming the near-future proceeds. But, if he has the willpower to reinvest periodically he can do better for his children by choosing the most profitable investments at all times—that is, by maximizing present worth when the streams are discounted at the marginal rate of return.

These are considerations that I place before the chairman and the committee suggesting the desirability of thoughtful examination and review and the usefulness in the national interest of approximately 5-to-6-percent-rate-of-return concept applied in determining resource allocation.

Summarizing these several views, there is a widespread support for using a return of about 6 percent. The opportunity cost of capital and the social cost of capital positions both come out at about this same point. Moreover, assuming a further objective to enhance the affluence of future generations at the expense of the present, McKean has shown that the best way to do so is by a present-day practice of making the highest quality investments possible. It appears, therefore, that a 6-percent return after taxes can be usefully applied in the national interest as a means of maximizing growth within a framework of sound resource allocation.

I believe it is quite evident that if a goal of a 6-percent return were set, this project would appear to have a negative cost-benefit ratio. In other words, it is not that high ranking in investment.

Of equal importance is that part of the return on capital investment which is the share that goes to the Government in the form of income and other taxes. Broadly, Government may be regarded as a coproprietor or a cosecurity holder with American business. Consequently to speak only in terms of the return investors is to neglect the Government as a participant in the returns on investment. Investment decisions take into consideration not only the return to lenders and equity holders but also the return to Government. The standard computation of return in contemplating an investment is the percent return before taxes.

One way this can be built is to build up a composite rate of the tax components because they are interlocked. This would produce a rate of 9 or 10 percent. An alternative is to deal with taxes separately and to apply them as individual components.

I have cited some authorities of people who have studied the question of water resources at the Government level. Their conclusion is that a 9- to 10-percent reserve component for both together, taxes and return, is a sound way to analyze projects in this area.

A technique which takes into consideration the tax problem is to build up a gross rate of return before taxes. This works out to about 9 percent to 10 percent. A recent study on water resource development by Professors Hirshleifer and Milliman, in collaboration with James DeHaven of the Rand Corp., has well stated the case in favor of a 10-percent rate.

> We will generally use the 10-percent figure in our analyses which follow. It must be emphasized that the 10-percent figure is not the pure interest rate but rather an estimate of the implicit marginal opportunity rate in the private sphere including the allowance for risk insisted on by the capital market, the difference between 10 percent and the pure rate of just above 4 percent representing mainly the market evaluation of the risks encountered in private utility investments considering the interaction with equity financing requirements and the tax effect thereof.

Another important consideration is the ranking of projects. From the standpoint of the Federal Government, public works development is a matter of how best to spread limited resources of capital and manpower among many proposed projects. The practical limitations on the quantity of available capital and manpower are the Federal Government's tax revenues and the priorities within the Federal budget imposed by the requirements of national defense, and other inescapable expenditures.

The requirement is to put first things first. This can only be accomplished by ranking in proper order of priority, based on merit, the projects competing for the available tax revenues. Projects should be ranked on the basis of their benefit-cost ratios and their rates of return.

Certainly it would be most desirable if before decisions were made on any one candidate for Federal funds, the decisionmaking body had before it the alternative competing candidates.

Recognizing the constraint of limited budgetary funds, projects having a benefit-cost ratio of merely 1 to 1 should not be entitled to automatic approval. The cutaway point would be substantially higher. The important point is that at any given time only those with the highest ratios should receive consideration.

Let me mention, if I may, that the Bureau's presentation this morning pointed out that the benefit-cost ratio became higher if one looked at this on a 100-year basis rather than a 50-year basis, going from 1.33 to 1 to 1.65 to 1. I don't know what the net benefit involved there is because it did not seem to be disclosed. It is probably in some other papers. But the point to consider, I believe, is that there is a danger of entrapment in thinking that the actual merit of the project is improved by spreading it on a 100-year basis. Of course, the annual amortization cost is reduced if it is 100 years instead of 50 years. At the same time, you are paying an interest charge for 100 years instead of 50 years. It is perfectly clear that the total cost increases in money terms when you extend the impact of interest for twice the duration.

But there is another factor which is more important than that. That is that we all know that we don't rate a dollar of income that we

are going to get 50 years from now in the same category that we do a dollar of income we are entitled to receive tomorrow.

There is a discount for the future. And if we look at the return as a tool for determining the profitability of resource allocation, making our capital work for us efficiently, and use what I would think would be a proper discount rate or rate of return of 6 percent, we would find that the value of a dollar 100 years from now is infinitesimal and, frankly, so is the rate at 50 years from now. So from that standpoint there is no real value that can be assigned to dollars of income where the benefit stream is 50, 60, 70, 80, or 90 years away.

The other thing, and this is related to the fact that we have a discount for the future, is that so many things happen in the future, in the meantime. It is interesting that in the last 30 years in the electric utility industry in the art of steam generation, the units of coal to generate a kilowatt-hour have been cut in half. Heat rates of plants have gone from 20,000 B.t.u. per kilowatt-hour to 10,000. Today, the best plant in the country has 8,300 B.t.u. per kilowatt-hour, still improving.

The cycle of a steamplant is a 30-year life. One can recognize in postulating a 100-year life for a hydropower project, that that capital is tied up and in the meantime a steamplant has gone through three generations of retirement and a new plant with an improving technology all through this period.

I would not say that the compounding heat rate improvement that has been the case in steam generation over the last 30 years, 3 percent compounding annually, can be assumed to continue inexorably, there is bound to be a flattening off. But nuclear plants enter into this with even better fuel performance. Just for the sake of demonstration, if we project a continuation of this heat-rate improvement and look at the benefits which are measured by the alternative cost of that steamplant, and this alternative cost is shrinking as it becomes more efficient, we would find, taking the Bureau figures of benefit stream, net benefit stream of $2.2 million, that the change of the first cycle would shrink that on an average basis down from $2.2 million to $1.9 million, and on another turn of the cycle would shrink it down to $1 million. But of course, we are way out now to 80 or 90 or 100 percent. But these are reasons, perhaps, why higher discount rates and also conservative terms are properly used in economic analyses.

Another consideration, and I refer to Senator Douglas, there was the comment of a review of 182 projects undertaken by the Corps of Engineers and also a number of projects undertaken by the Bureau. He pointed out that in the projects built by the Corps of Engineers the average increase in cost from time of first proposal to completion was 124 percent and in the case of the Bureau 100 percent. I am sure there are variations on this where the mark has been closer and in other cases higher. But this is another reason, I believe, for saying that benefit-cost ratios at the point of authorization should be high, that is, conservative, to provide a proper safeguard against this kind of escalation as well as against the possibility that improvements in the alternative competitive art would vitiate the investment.

The desirability of only undertaking projects with high benefit-cost ratios is borne out by studies made by committees of the Congress. Senator Douglas has commented on this, pointing out that in

the case of 182 projects undertaken by the Corps of Engineers, the actual cost exceeded the estimated cost by 124 percent from the time they were initially considered in Congress. With reference to Bureau of Reclamation projects Senator Douglas pointed out that actual costs exceeded the estimated costs by 106 percent.

Until the technique of benefit-cost estimates becomes very much more precise, these results would indicate that the Congress has excellent reason for approval of only those projects with high benefit-cost ratios.

Equally important in the decision to construct multipurpose projects is policy on financial responsibility. The test of financial feasibility is well established as a criterion for Bureau of Reclamation projects. In revenue producing projects in developing the payout over the expected life of the project prices should be set at a level sufficient to pay all costs, although such prices need not be at the level of the economic benefits unless, of course, the benefit-cost ratio is quite low.

We have to consider projects separately. If not, there could be another project which might not receive it even though it should, but this other competing project would not receive the standing on its own against the Burns Creek merged with Palisades. But Burns Creek separated would not seem to be deserving of those resources and a more productive application would be made to the competitor. Unless we look at these things alone, my point is we run the risk of misallocation.

In the case of the Burns Creek project, there is the interesting fact that the Bureau of Reclamation made a benefit-cost evaluation for the project standing alone and yet took the different route of combining Burns Creek with Palisades in discussing payout. The hearings in the House last year elicited the admission by the Bureau in response to questions put by Congressman John Saylor of Pennsylvania that the Burns Creek revenues would be less than costs, even with costs computed on an artificially low basis:

> Question 7. Is it not true that this interest and authorization cost for Burns Creek would exceed the expected annual revenue from Burns Creek under present Palisades rates by $703,000 at 3 percent interest, $1,128,000 at 4⅛ percent interest, and $1,174,000 at 4¼ percent interest?
>
> Answer. Incremental net revenues are less than computed interest and amortization cost on the incremental investment based on the interest rates indicated, but the interest and amortization cost for the combined project is not in excess of the combined net revenues, based on 3 percent interest rate. The arithmetic computations are essentially correct.

If Congress is to allocate resources wisely it should have feasibility data on each separate project and be in a position to compare its economic feasibility with that of other proposed projects. Otherwise there is the possibility of repeating time and again the Burns Creek type of error, which is losing sight of the uneconomic character of one project by its combination with another sound existing project. Again, remarks by Senator Douglas are pertinent here:

> There are many persons who favor irrigation and will support any irrigation project, lest it be thought that they are enemies of irrigation. There are many persons who favor public power and therefore feel compelled to vote for every public power project, no matter whether or not it is justifiable.

If I may use the analogy, I think we should look each of these projects in the mouth to see whether they are justifiable. If they are justifiable, we should proceed with them. If they are not justifiable, we should not go ahead with them.

When the Federal Government allocates resources for development in what may be characterized as an underdeveloped section of the United States, it becomes simply a matter of older and more established areas subsidizing through the tax mechanism, investment in newer regions. The least that the tax exporting citizen may reasonably expect is that such investments be economically worthwhile; that is, meet the tests of benefit-cost ratio, rate of return provided, and economic feasibility.

It is well known that the people of my own State of Pennsylvania have some problems of their own and cannot readily afford to export capital in the form of taxes to other regions.

Certainly there has been a long-term national policy in favor of the development of the West ever since the Homestead Act. But the West is now in the forefront of American economic development and it may well be time that this policy be reexamined and appropriately modified.

The citizens of my own State of Pennsylvania have some problems, and I believe we are entitled to the benefit of review of this whole situation by the Congress so that we do not export capital unwisely to other regions.

It is apparent that at the root of much of the differences of opinion about the Burns Creek project is the pricing of the power.

I have not been talking about prices, but I have been talking about real resources up to this time.

There would seem to be no good reason why prices should be set below costs. To do so is to subsidize the users of such power. Now I am well aware that there are occasions when subsidizing some groups of citizens is a social value and desirable. Accepting this proposition, it becomes important that we know what we are doing. I am firmly convinced that such subsidies decided to be proper should be direct and aboveboard and be confined to the social group in need. The subsidies should not be hidden in an electric service rate structure where some needy users may receive it, while others do not, and where some well above need benefit by the accident of their customer relationship to the Federal power project. In other words, far better the Treasury send a monthly stipend to the particular income group than to adopt the hit-or-miss policy that results from noneconomic pricing of project power.

In the case of government power projects, if the power is sold below cost by reason of omitting the tax component, using an artificial interest rate or because of other circumstances, we have a clear case of subsidy for the power users. This subsidy is paid for by the citizens of other States by the proportion of corporate and personal income taxes used to offset the deficits and the taxes lost by the Federal Government. To be specific, these citizens paying this subsidy include the customers of companies such as Pennsylvania Power & Light Co. This is an unfair and unreasonable burden on these citizens and others similarly situated.

I respectfully urge that the committee give consideration to these facts and to the use of the criteria I have mentioned in its appraisal of the Burns Creek project.

Senator CHURCH. I appreciate your very learned dissertation and presentation on the economic criteria for the purpose of allocating national resources. I must review the criteria when I am rested and when I have a chance to look at it in its written form, Mr. Busby. But I must say that you are operating a most extraordinary company.

If you make your decisions with respect to the allocation of your resources for your investment purposes in strict accordance with these criteria—do you?

Mr. BUSBY. I believe that we try.

Senator CHURCH. To the exclusion of other considerations that are not physical in character?

Mr. BUSBY. I believe that one always must recognize the intervention of noneconomic considerations. We would not have a Lincoln Memorial here, for example.

Senator CHURCH. Right. We might not have much of a country here.

Mr. BUSBY. Right. The point, however, of knowledgeably deciding on how resources are used, is the important point I am making, not necessarily that every decision be made purely on economic grounds but that no decisions be made of an economic character without full economic evidence at hand as a guide to the decisionmaking process.

Senator CHURCH. I do not argue with this thesis, and I think you have presented a good deal of food for thought for the committee. But criteria that go far beyond the project now under consideration, you have questioned the criteria that we have long used over many years, and have asked us to review it and to consider the changes that we might profitably invoke.

This is a very big subject that you present.

My only point of comment at this late hour is that in these decisions if the exact economic criterion alone were involved we could substitute for government the enormous electronic brain. But an enormous electronic brain would not make your investment decisions for your company. It would never be a substitute for you, and it is likely not to be a substitute for government.

Mr. BUSBY. I do not urge it as a substitute. I view this whole matter, really, as a matter of management, to have alternatives well defined before one's decisions are made. Often they must be made on modified or other grounds, but clearly we are able to make better decisions if we have evidence that lets us know what, at least, is the best way to use our resources.

Senator CHURCH. Thank you very much for your exceptional testimony.

There is another vote on the floor of the Senate and we will have to excuse ourselves. But I am coming back if there is anyone still left in the room to testify.

(Short recess.)

Senator CHURCH. The subcommittee will be in order.

The next witness is Mr. G. E. Sorensen, president, the Kemmerer Coal Co.

## STATEMENT OF G. E. SORENSEN, PRESIDENT, THE KEMMERER COAL CO., FRONTIER, WYO.

Mr. SORENSEN. Mr. Chairman and members of the committee, I am G. E. Sorensen, president of the Kemmerer Coal Co., at Frontier, Wyo. This statement in opposition to the Burns Creek project as proposed by S. 66 is made, not only in my capacity as president of the Kemmerer Coal Co., but also as a private citizen who is vitally interested in the development of western Wyoming. I would not like to see a Federal project authorized that would materially hinder the development of my area in the State of Wyoming.

The 90,000-kilowatt Burns Creek project is unquestionably a power project, 98 percent of the cost being allocated for this purpose. On February 11, 1959, the Legislature of the State of Wyoming passed a joint memorial expressing the opposition of the State of Wyoming to the Narros hydroproject, a project similar to Burns Creek, located a few miles upstream from that project in the State of Wyoming. This memorial was introduced on February 26, 1959, by Senator McGee (for himself and Senator O'Mahoney) to the Committee on Interior and Insular Affairs. One reason for the opposition was that:

> The purpose of the dam would be the production of kilowatts of power, which power in like or larger amounts could be produced by steam. * * *

I also firmly believe that if 90,000 kilowatts of power is to be developed in the area, it should be developed by steam, using Wyoming coal, and not by a Federal power project such as Burns Creek.

On April 17, 1959, the Wyoming Mining Association passed a resolution expressing opposition to the construction by the Government of unnecessary hydroelectric projects in direct competition to coal for power generation. The Burns Creek project is a project in the category opposed by the association and, as I will later point out, materially depletes the coal market for our area. The project is unnecessary and I do not believe there is any justification for the expenditure of $50 million of public funds to construct a project in direct competition with coal in an area where private industry has worked long and hard to develop a market and now has underway a project which will materially benefit the entire economy of western Wyoming without the expenditure of public money.

Near the town of Kemmerer, Wyo., is a huge deposit of sub-bituminous coal. This coal has a high moisture content, slacks readily, and cannot be hauled by rail as economically as the higher grade bituminous coals in the area. Therefore, the economic development of such coal is dependent upon an industry which will consume the coal at the site.

For a number of years the Kemmerer Coal Co., together with officials of the town of Kemmerer, Wyo., had been trying to get the Utah Power & Light Co. to build a steam plant near Kemmerer to use this sub-bituminous product. As a prelude to final coal supply negotiations with the power company, the Kemmerer Coal Co. expended considerable money drilling and proving the reserves of coal in the deposit. These findings of reserves were checked by independent geologists and engineers retained by the power company. Upon proof that there were sufficient reserves to provide fuel for the operation of

at least two 150,000-kilowatt steam units we started negotiations with Utah Power & Light Co. for sale of a coal supply for their proposed plant.

In December 1957, we executed an agreement with the power company which provides that they will build a 300,000-kilowatt steam electric plant at the Kemmerer site, the first unit to be in operation by 1963.

In the agreement we have dedicated 35 million tons of coal to the operation of such plant and have encumbered our property in Lincoln County with a lien for the faithful performance of this agreement.

It is anticipated that the first unit of the company plant will use approximately 600,000 tons of coal per year, and when the second unit becomes operational it is anticipated that the consumption will be almost twice this amount.

The Kemmerer Coal Co. is to supply the fuel for these two units. The power company plans on an ultimate capacity of one-half million kilowatts at this site and I am confident we will supply the total fuel requirements.

In connection with supplying the coal requirements for the first unit of the plant, the Kemmerer Coal Co. will employ from 100 to 120 men on an annual full-time basis with an annual payroll of opproximately $660,000; will purchase each year supplies in the amount of $550,000, a substantial amount of which will be purchased locally in Wyoming and Idaho; and will pay State and local taxes annually in the amount of $73,000.

The proposed Burns Creek project, which would generate 90,000 kilowatt and one-half billion kilowatt-hours per year in a surplus hydropower area, would dilute the amount of coal consumed in the area by 250,000 tons per year and would materially hinder the development of the coal deposit in the Kemmerer area.

I would like to point out that a reduction of 250,000 tons of coal mined annually as a direct result of constructing Burns Creek would mean an annual loss of $275,000 in mine payroll, an annual reduction in the supplies purchased locally in the amount of $225,000, an annual reduction in State and local taxes of $18,000, and an annual reduction in the payment to United Mine Workers of America health, welfare, and retirement fund of $100,000.

The Utah Power & Light Co.'s reservoir dam has now been completed. Their first 150,000-kilowatt unit is on order with General Electric Co. and they expect to have such unit in service by the fall of 1963. Construction of the first unit of the plant will be started early this year.

In the power company's planning, land acquisition, and securing of necessary licenses and permits, there has been very close cooperation between my company and the power company, as well as with the Wyoming Natural Resource Board, officials of the town of Kemmerer, State game and fish commission and other State and county agencies.

The proponents of the Burns Creek powerplant would have us believe a power shortage exists in the area. That this is not the case is clearly evidenced by the fact that surplus hydropower has already delayed the Kemmerer plant by 2 years.

Early in 1958, Utah Power & Light Co. entered into an agreement with Idaho Power Co. for the purchase of 150,000 kilowatts for a 6-year period ending in 1967. The Kemmerer Coal Co. was kept fully informed by Utah Power & Light Co. of its negotiations with Idaho Power Co. for purchase of firm power at a very attractive price. They asked us if we would consider postponing the date we were to supply coal from our Kemmerer mine to the proposed Utah Power & Light Co. plant from 1961 to 1963.

We agreed to this condition of the payment of a certain consideration, and the contract we now have with the power company provides that they will have a 150,000-kilowatt unit in service in 1963.

The fact that Congress amended the Mineral Leasing Act to enable the assembly of coal reserves commensurate with the requirements of the modern steam electric generating plant would indicate that the use of coal as a fuel for electric generation in the West is recognized and should be encouraged.

The Kennedy-Johnson report of the Natural Resources Advisory Committee states:

> Because our supplies of coal are plentiful and often more useful when converted to electricity, an important part of the power should be "coal by wire" from the now-depressed mining areas in West Virginia and Pennsylvania and the coal and lignite deposits of the West.

Should the Burns Creek Reservoir be built and a powerplant installed, it would replace at least 250,000 tons of coal per year or equivalent in generating capacity from one of the very "now-depressed mining areas" containing the "coal and lignite deposits of the West" mentioned in the Kennedy-Johnson report.

We have labored diligently for many years in our efforts to secure a customer for the type of coal in this area, and it certainly would be the salvation of the economy of this part of the State to have these sub-bituminous coal reserves utilized. As you know, the coal industry is operating in a depressed economy and I do not believe that this fact should be shrugged off with the statement that this is a continuous and expected thing in the industry. No effort should be spared to alleviate this condition and nothing should be done to aggravate it.

The present administration has readily recognized the depressed condition in coal-producing areas. What better way could the Congress assist in alleviating this condition than by allowing private capital to relieve the unemployment of our area rather than expending millions of dollars to satisfy the requests of a few preference customers for tax-free subsidized power.

We do not appear here to solicit Federal funds for the depressed area in southwestern Wyoming. We do not ask for subsidies or special tax privileges, nor do we request any part of another man's "harvest." We do not believe that the strange Government policy of according preference to one class of citizen customers should be used further to impede the welfare of another large group of nonpreference customers, who, from the implication in the term we are led to infer must be considered second-class citizens of our great country. We only ask that this Congress allow us to keep and use a portion of our own "harvest."

In our own area there are many, many families who are in dire need of the year-round employment which the development contemplated by the full scope of the plan of Utah Power & Light Co. offers. In the event the Federal Government undertakes the construction of the Burns Creek project, the obvious result would be a decrease in use of coal from the area with accompanying loss of payrolls and taxes, increased unemployment, and the continuation of depressed conditions in our communities.

I therefore sincerely urge that you do not approve the Burns Creek project.

Thank you, Senator.

Senator CHURCH. Thank you very much, Mr. Sorensen. I am sorry that we have been so long delayed today in hearing you.

Mr. SORENSEN. Thank you, Senator Church.

Senator CHURCH. Our next witness is Mr. V. G. Pearson, business manager of Local Union 57, IBEW, Salt Lake City, Utah.

## STATEMENT OF V. G. PEARSON, BUSINESS MANAGER, LOCAL UNION 57, INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, SALT LAKE CITY, UTAH

Mr. PEARSON. Mr. Chairman and members of the committee, my name is V. G. Pearson. My address is 1743 West North Temple Street, Salt Lake City, Utah.

I am business manager of Local Union 57, International Brotherhood of Electrical Workers, and represent 1,800 taxpaying union members in Idaho, Utah, and Colorado.

I am generally familiar with the economics of the Burns Creek project, which have and will be covered by others. I know of my own knowledge that there is no shortage of power in the area where Burns Creek power would be used.

I appear before this honorable committee in opposition to S. 66, a bill to authorize the Burns Creek project.

We are opposed to the construction of projects by the Federal Government which have as their virtually exclusive purpose the production of electrical energy for distribution to preference sustomers as aside from those which are multiple purpose in intent and which develop new water or reclaim land.

We are firmly against the Federal Government becoming an electrical utility. If the Federal Government is going to continue to produce and deliver power to preference customers, it will tend to foster more of them. Past experience shows that fair and lasting labor agreements with Government agencies are almost impossible. Organized labor has and is reaching excellent agreements today with business-managed electric utilities. We want to continue this way.

The western locals of the IBEW have already gone on record before the Congress as being opposed to governmental agencies in the electrical industry beyond the limits of true function of government.

We could not take a position opposing the development of electrical resources by the Federal Government if they fill needs which are not being performed by any other means, but you can see that we are concerned about our collective bargaining position. We just don't have free collective bargaining in Government agencies. We are will-

ing to accept this situation so long as the Federal Government is filling the need which cannot be served by others. In the meantime we hope for improvements in the laws which regulate collective bargaining with Government agencies.

We are opposed to this project for another reason. The addition of 90,000 kilowatts of hydropower in our area will curtail the production of power in coal-burning plants in which we have members. This will result in a loss to us of their jobs and curtailment of work opportunities for others of our membership. If the Federal Government didn't assume the responsibility of supplying these preference customers, they would buy their power requirements from the private companies.

The additional power purchased by these preference customers would provide more work for our members and the coal miners. Turning coal into electrical power is the only salvation for the coal mining industry which plays such a vital part in the economy of our area.

Thank you, Mr. Chairman.

Senator CHURCH. Mr. Pearson, do you have a local in Idaho Falls?

Mr. PEARSON. We have a unit in Idaho Falls.

Senator CHURCH. You are their spokesman?

Mr. PEARSON. Yes; I would be.

Senator CHURCH. Are they opposed to Burns Creek?

Mr. PEARSON. The group in Idaho Falls is not, sir.

Senator CHURCH. It is not opposed?

Mr. PEARSON. That is right.

Senator CHURCH. So you are not really speaking for them?

Mr. PEARSON. For that group in Idaho Falls, no; not in this case here. We have, I believe it is, around 26 members in Idaho Falls.

Senator CHURCH. You made a statement here that you are concerned about collective bargaining.

Mr. PEARSON. Yes, sir.

Senator CHURCH. That you do not have free collective bargaining in Government agencies. I take it you do have collective bargaining at Idaho Falls at the municipal power plant there?

Mr. PEARSON. Yes, sir; we have a very good relationship there, I would say, sir.

Senator CHURCH. So that statement would not relate to the Idaho Falls plant?

Mr. PEARSON. Not to Idaho Falls; no. I might say that that is the only agreement that we have with any municipality that I know of in the Western States.

Senator CHURCH. I think at this time it might be appropriate to include in the record the resolution which has been handed me from the carpenters' local in Idaho Falls, endorsing the project, and also a statement that has been filed by the AFL-CIO union organization nationally, endorsing the project.

(The documents follow:)

Senator CLINTON ANDERSON,
*Chairman of the Senate Interior and Insular Affairs Committee, U.S. Senate, Washington, D.C.*

DEAR SENATOR: It is my understanding that on March 15 the Senate Interior and Insular Affairs Committee will hold a hearing on the Burns Creek Dam project on the South Fork of the Snake River in eastern Idaho.

For several years at our annual conventions, the Idaho State AFL–CIO has adopted resolutions favoring the building of this dam. I believe that it is of the utmost importance that this dam be started at the earliest possible date.

This dam would provide 100,000 acre-feet of water storage. As you may know, when Palisades Dam was built, they sold more water storage than the reservoir was able to store. The building of Burns Creek Dam would assist in meeting this shortage. It would also add to the power potential of the Palisades Dam by the reregulatory features that are in Burns Creek.

We from organized labor would like to urge that early action be taken on the construction of this dam.

Attached hereto please find copy of Resolution No. 12.

Sincerely,

DARRELL H. DORMAN,
*President, Idaho State AFL–CIO.*

RESOLUTION No. 12

Whereas labor in Idaho has in the past been favorable toward any project which would mean the development of the State of Idaho; and

Whereas, upon the completion of Palisades Dam in eastern Idaho, it was found that the water users of the upper Snake River Valley had oversubscribed the storage capacity of Palisades Reservoir; and

Whereas, with the normal developments in eastern Idaho, there is evidence of a need for additional electrical power: Now, therefore, be it

*Resolved*, That this convention go on record as favoring the building of the Burns Creek dam, as eastern Idaho already is in need of the additional 100,000 acre-feet of water storage this dam will provide and by completion date will need the additional power this dam will make available; and be it further

*Resolved*, That a copy of this resolution be sent to our Senators and Representatives in Congress and also that we inform the United Mine Workers of our action and the reason for same.

GLENN HOOK,
*Carpenters, Idaho Falls, Idaho.*

Adopted, Idaho State AFL–CIO.

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STATEMENT OF GEORGE H. R. TAYLOR, ECONOMIST, DEPARTMENT OF RESEARCH, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. Chairman, my name is George H. R. Taylor. I am an economist with the Department of Research, American Federation of Labor and Congress of Industrial Organizations. I am also secretary of the AFL–CIO staff subcommittee on atomic energy and natural resources.

I am here to express the position of the Idaho State Federation of Labor and the AFL–CIO, in strong support of S. 66 to authorize the construction of the Burns Creek project, upper Snake River, Idaho.

I request to have included, as part of the AFL–CIO testimony, a letter dated March 3, 1961, addressed to Senator Anderson as chairman of the Senate Committee on Interior and Insular Affairs, and written by Darrell H. Dorman, president of the Idaho State Federation, AFL–CIO, together with the attached resolution of the Idaho State Federation in support of the Burns Creek project.

Previous Burns Creek authorizing legislation passed the Senate in 1957 and in 1959. Organized labor supported both bills. We hope that in 1961 the bill will be sent on its way to speedy passage by both Houses and approved by the President.

The people of the area and the State are overwhelmingly in support of the project. Both Idaho Senators are cosponsors of S. 66. The Interior Department is attaching a high priority to getting Burns Creek started. It is difficult to recall a Federal project with power features attached which has enjoyed a greater community of endorsement than Burns Creek.

Organized labor's general support for sound comprehensive water development programs includes specific support for Burns Creek as fitting the criteria of the AFL–CIO policy statement on natural resources adopted in 1959.

Organized labor in southern Idaho is well aware of the history of development of the Snake River Valley, from the Wyoming line to the Oregon border. It is a history of the use of stored, diverted and pumped water to transform a vast sagebrush waste into a fertile farming community with cities, towns, and villages, where expanded opportunities for laboring people of many skills have become available because water was harnessed for human uses and not allowed to be wasted.

Burns Creek will mark a further expansion of the harnessing of the Snake for people. It will provide needed holdover storage for very dry years. It will generate hydroelectric power to shoulder nearly the entire burden of reimbursable costs of irrigation written into the project, which are far beyond the ability of the water users to defray.

Burns Creek will be hydraulically and electrically integrated with the existing Palisades Dam and Reservoir, and therefore will nearly double the firm power capability of the latter project.

Under the historic preference provisions for marketing of federally generated power, a number of small publicly, cooperatively, and mutually owned electric utilities in the area will receive a needed addition to their power supply at relatively low wholesale rates.

We understand that unless the situation changes before the irrigation season starts, southern Idaho will face a serious irrigation water situation on the Snake. This should indicate that there will be other similar droughts which will make Burns Creek of great value to the area.

We also consider, as an important local byproduct of Burns Creek, the emergency use of its gates to alleviate chronic local flooding conditions in the Heise-Roberts area near Idaho Falls when they occur. While such dividends are extremely difficult to measure in terms of cost-benefit ratios, it appears to us that, coupled with what can develop into a local recreational attraction of considerable magnitude in the Burns Creek Reservoir area, these are important factors to consider in assessing the real value of this project through the years.

From the particular standpoint of organized labor, we have a direct interest in the jobs and payrolls that will accrue to our construction trades workers during the building of Burns Creek.

Idaho construction workers are suffering from acute unemployment. They need jobs. The Senate committee report on the 1959 Burns Creek bill (S. 281) contains a table furnished by the Department of the Interior showing that the worker payroll during the 5-year construction period would total about $36.5 million, and during the 4th and 5th years would amount to $13.8 million and $17.9 million, respectively.

A more rapid construction schedule would of course markedly increase the annual worker payroll over the Interior Department estimate, to the extent that funds could be used once appropriated.

While the economy of eastern Idaho is still largely farm based, urbanization is proceeding rapidly in the Idaho Falls and other areas, and economic growth will become increasingly dependent on job opportunities not directly based on agriculture, but still largely determined upon how well water and energy are harnessed in the public interest.

We believe that when the hydro potential of the Upper Snake has been fully developed, there will be a shift of energy base for production of electric power. Coal will become the backbone for base load operations and hydro will be used for peaking loads because of its greater flexibility. With resumption and continuation of an expanding economy in this area, power load growth will mount at increasing rates. Steam units of great capacity, similar to those built or being built by TVA and by some large eastern private utilities, will enter this region. Efficiencies obtained by large generating units near the minehead, plus very heavy long-distance transmission lines, will inevitably bring the cost of coal fired power down to levels close to those of expensive hydro power.

Thus, projects such as Burns Creek will stimulate power use from hydro sources and hasten the day when the great coal reserves of Utah and Wyoming will be called upon for more and more production to provide for electric production demands which will make those of the present seem small by comparison.

Increased demand for coal will mean more jobs for mineworkers and more power development means more jobs for construction and electrical workers.

Construction of Burns Creek project we strongly believe, will hasten this process which will add strength to the State, region, and Nation.

I wish to thank the committee for the opportunity to express the views of the AFL–CIO on S. 66, and once again urge its speedy passage.

Senator Dworshak?
Senator DWORSHAK. No questions, Mr. Chairman.
Senator CHURCH. Thank you.
Mr. PEARSON. Thank you.
Senator CHURCH. Our next witness is Mr. Orr Garber, of Wyoming.

## STATEMENT OF ORR GARBER, MEMBER, WYOMING NATURAL RESOURCES BOARD, CHEYENNE, WYO.

Mr. GARBER. I would like to see that the record is kept straight on a letter sent to Senator Anderson by Governor Gage of Wyoming, stating the Governor's position on Burns Creek. I do not believe that I have heard you include it in the record.

Senator CHURCH. No, I have not. It has not been called to my attention yet.

I am now told that there is a letter and that will be included in the record. I did not know about it earlier.

It will be included.

(The letter follows:)

WYOMING, EXECUTIVE DEPARTMENT,
*Cheyenne, March 10, 1961.*

HON. CLINTON P. ANDERSON,
*Chairman, Senate Interior and Insular Affairs Committee,*
*Washington, D.C.*

DEAR MR. ANDERSON: At the time of an earlier hearing relative to the Burns Creek project, it was probably well assumed that the aims and objectives of the project would remain basically the same. Apparently, this has not occurred since reclamation has been emphatically replaced by a proposed power project.

Fortunately for Wyoming, we have been able to heartily realize and further anticipate the production of power by the consumption of Wyoming coal, and we wish to voice our disapproval of any move designed to dilute our local potentialities, which this indeed would do.

Very truly yours,

JACK R. GAGE, *Governor (Acting).*

Mr. GARBER. I have a short statement, Mr. Chairman.

Mr. Chairman and members of the committee, my name is Orr Garber and I reside in Big Horn, Wyo. I am a member of the Wyoming Natural Resource Board, Cheyenne, Wyo., at whose direction I am appearing here today.

The State of Wyoming, represented by the natural resource board, is concerned about the passage of legislation to allow the construction of the Burns Creek project because of (1) the adverse effects upon the State's economy in the loss of tax revenues; (2) the loss of employment in an area that is still struggling from the effects of the changing technology in the coal industry; and (3) the diversion of reclamation funds to power production.

The Kemmerer area has been greatly affected by the decline in coal production. The installation of steam-generating facilities by Utah Power & Light Co. in the area presents one large opportunity for an increase in employment and represents a tax-producing industry for the area. Moreover, if the Burns Creek project is built, the customers who would take advantage of this subsidized power would include Idaho communities in economic competition with southwestern Wyoming communities, thus favoring them with subsidized power rates as

a location and living cost factor because of such Government subsidization.

Burns Creek will produce 90,000 kilowatts of hydroelectric power at a project cost in excess of $48 million. Reregulation is listed as a primary purpose for the proposed bill, but only 1.75 percent of the project cost is actually allocated to reclamation, with more than 98 percent allocated to power. Reregulation could be accomplished for between $3 and $6 million.

Wyoming, who through royalties on its mineral resources is the leading contributor to the reclamation fund, fully supports the Bureau of Reclamation in construction of a reregulation reservoir. However, testimony points to Burns Creek being a power project.

The Burns Creek project would replace the demand for about 250,000 tons of coal a year, that is, coal sufficient for one-half billion kilowatt-hours per year. Since 250,000 tons of coal would mean approximately 20,000 man-shifts in mining, this could mean $500,000 or more in salaries lost, or an employment loss of 120 men as well as $100,000 loss to the Miners Welfare Fund.

Let us also not forget the taxes payable to the Federal Government from this private enterprise operation. The 98-percent power allocation of Burns Creek is of deep concern to the board, as it indicates that the Federal Government would now subsidize a select group of electric customers as against the historical precedence of utilizing power revenues for repayment of reclamation.

Our board has continually supported multiple-purpose usage, but we have also continually opposed legislation for subsidized power at the expense of private utilities and the economy of our State and Nation.

As Senator Barry Goldwater of Arizona points out in the Senate Committe Report No. 439, Burns Creek would produce very high cost power. (The cost of Burns Creek will be over $500 per kilowatt, as compared to Palisades $185 per kilowatt.) Diversion of reclamation funds from Palisades will subsidize these high power costs.

The project is, therefore, detrimental to reclamation in that it diverts reclamation funds. The present and future electric needs in the area can be supplied by private utilities. It would seem inconsistent for Congress, which urges research in the utilization of coal, to subsidize electric power and nullify possible coal gains in a region such as our own.

To state that Burns Creek is needed for reregulation is misleading, and a waste of a great deal of the taxpayer's money as a reregulation dam, need for which is also far from proven, can be constructed for about $4,500,000.

Senator CHURCH. Have you any questions, Senator?

Senator DWORSHAK. No questions, Mr. Chairman.

Senator CHURCH. Thank you, Mr. Garber.

Mr. GARBER. Thank you.

Senator CHURCH. Mr. William Jackman, president, Investors League, Inc., will be the next witness.

Is Mr. Jackman here?

(No response.)

We will insert Mr. Jackman's statement in the record at this point.

(The statement follows:)

STATEMENT OF WILLIAM JACKMAN, PRESIDENT, INVESTORS LEAGUE, INC.

Mr. Chairman and members of the committee, my name is William Jackman. I am president of Investors League, Inc., New York. The Investors League is a nonprofit, nonpartisan, voluntary membership organization of thousands of individual investors, small and large, residing in every State of the Union.

On behalf of our thousands of investor members I wish to thank you for the privilege of presenting the viewpoint of American investors on S. 66, a bill by Senators Frank Church and Henry Dworsshak of Idaho, "to authorize the Secretary of the Interior to construct, operate, and maintain a reregulating reservoir and other works at the Burns Creek site in the Upper Snake River Valley, Idaho, and for other purposes."

We strongly urge the committee not to recommend this proposed legislation.

The description of the purpose of the bill as stated above is deceptive in character by failing to state frankly that the project is designed primarily as a Government-owned hydroelectric power project.

A vast majority of the taxpayers of the United States are totally unfamiliar with the purposes and probable effects of this legislation.

Testimony before the Senate in the previous Congress brings into sharp focus the following points which should be brought to the attention of all of our voting citizens for their information and approval before any final action is taken by their elected representatives in Congress:

(1) The project would cost about $50 million of which 98 percent would be charged to power and less than 2 percent to irrigation. There is no actual or foreseeable power shortage in this area. It is well served by two large taxpaying investor-owned power companies operating under State supervision.

(2) There is no proven need of the project for irrigation purposes. The Bureau of Reclamation estimates the 100,000 acre-feet of storage in Burns Creek would be used only two or three times in 50 years. No water would be used on present land; the project would not enable 1 acre of new land to be brought under cultivation.

(3) This project would cost the Federal Government $40 millions of lost taxes that would otherwise be paid by private utility companies. Total annual revenue of the project estimated at $1,125,000 would be $311,000 short of meeting annual interest payments of $1,436,000.

(4) The alleged need of this project for reregulation has never been proven. Even if it were, a true reregulation project could be provided for around $9 million, or over $40 million less than the project contemplated.

The substantiation of the above comments have been made fully available to this committee in documented form by qualified experts in and outside of Government.

Why, then, at a time when the Nation needs new sources of tax money; at a time when our very solvency is being strained by the vast and necessary costs of national defense, why, at such a time, gentlemen, should Congress vote to unnecessarily squander $100 million or more of the taxpayers' money?

A recent study shows that the revenue loss to the Federal Government resulting from the tax exemption of Socialist Government power projects for the 17-year period 1942 through 1958 amounted to $2,700 million.

Projected estimates of similar tax yields for the next 17 years, assuming the taxpaying companies were to carry on the electric power business for that period instead of the present tax-exempt organizations, shows that $11,500 million would flow to the Federal Treasury which it will not receive under the present tax-exempt status of the Government-controlled or financed power enterprises.

The $50 million Burns Creek project, small as it may seem in a world in which we talk of billions, can set a precedent that will spread socialized Federal ownership of American industry like a poisonous weed. The end result? Nothing other than gradual loss of our human freedoms.

The valid charge has been made over and over again that there are powerful forces within this Nation, encouraged by the deceitful masters of the Kremlin who, wittingly or unwittingly, would weaken or destroy our entire economic and social order in favor of a bureaucratic socialist welfare state. To accomplish this purpose most effectively, they would first socialize our basic energy resource industries. If we do not want this to happen, we must be constantly on the alert.

Our dedicated elder statesman, Hon. Herbert Hoover, has stated that "the spread of the Karl Marx virus" is one of the major crises haunting this country. "The real meaning and purpose of socialism," said Mr. Hoover, "is the governmental operation of all commerce and industry and the reduction of life to pure materialism. This infection creeps through our Nation by deluded and misled men and by disguised organizations, fronts, and cults. These agents of infection are like hermit crabs which crawl into such terms as 'liberal,' 'progressive,' 'public electric power' (I repeat, gentlemen, 'Public electric power,') 'managed economy', 'the welfare state', and a half-dozen others."

There is no need for socialized tax-free government power. It benefits the few at the expense of the many, thereby constituting the most flagrant form of discrimination.

The millions of taxpaying investors who own the private taxpaying electric utility companies of America are able to provide ample supplies of cheap electricity which means putting up $125,000 in plant and equipment for every job in the industry, a total today of nearly 350,000 jobs.

I submit, gentlemen, that the true interests of our free people would best be served by getting the Federal Government completely out of the electric power business. Otherwise, we are but feeding a bureaucratic monster who would help destroy the very ideals upon which this free Nation was founded.

Senator CHURCH. Our final witness is Mr. Daniel W. Cannon of the National Association of Manufacturers.

## STATEMENT OF DANIEL W. CANNON, COMMITTEE EXECUTIVE, CONSERVATION AND MANAGEMENT OF NATURAL RESOURCES COMMITTEE, NATIONAL ASSOCIATION OF MANUFACTURERS

Mr. CANNON. Mr. Chairman, my name is Daniel W. Cannon. I am committee executive of the Conservation and Management of Natural Resources Committee of the National Association of Manufacturers.

I am appearing on behalf of the National Association of Manufacturers, a voluntary association of about 19,000 industrial and business ventures, some 83 percent of which are small business enterprises. A substantial portion of the net income of such enterprises is paid into the Federal Treasury, and therefore our members have great interest in the purpose for which expenditures are made from the Federal Treasury.

Inasmuch as S. 66 would authorize the expenditure of as much as $50 million from the Federal Treasury for the construction of a dam and powerplant, we have attached to this statement copies of our official policy positions on the subject of "Electric Power Development" and "Government Competition With Private Enterprise."

(The statements follow:)

### ELECTRIC POWER DEVELOPMENT

The rapid encroachment of governments in the field of electric power development should be halted. Industry believes that the production, transmission, and distribution of electric energy to the general public is in no sense a responsibility of government, be it Federal, State or local. We further believe that electric power developments by investor-owned electric companies are in keeping with the principles of the private enterprise system and that such developments by governments are not.

Accordingly, we believe that when the generation of electric power is economically sound and necessary to bring about the full utilization of all resources in multipurpose developments and where its value as an incidental byproduct will contribute to the repayment of government funds for other beneficial uses which are clearly within the area of government responsibility (such as navigation, national defense, and in some cases flood control and reclamation), the gov-

ernmental investment in power-generating facilities should be kept to a minimum by having investor capital finance such power facilities to the full extent of their willingness and capability.

Industry believes that the Federal, State or local governments should not dictate or impose preference policies with respect to the marketing of electric power produced by facilities in which they have no proprietary interest.

Where the Federal or a State government is, nevertheless, already the owner of power generating facilities, we believe that the electric power and energy produced therefrom should be sold at wholesale on equal terms and conditions and without discrimination to either investor-owned utilities, or to local public agencies where they exist, in order that such power and energy may be distributed to a maximum number of people under effective regulation and without monopolization by any group. Investor-owned utilities should not only be permitted, but should be invited and encouraged to construct all the facilities for the production, transmission and distribution of power whenever and wherever they are ready, able and willing to do so. Governmental power projects cause a drain on the Public Treasury, both with respect to taxation and to interest charges; whereas, private enterprise electric power developments pay full taxes and interest charges and in addition are under effective government regulation.

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GOVERNMENT COMPETITION WITH PRIVATE ENTERPRISE

The function of government is primarily political rather than economic. The government's responsibilities do not encompass competition with its own citizens. Insofar as governmental activity invades the field of private enterprise, it threatens the other elements—civil rights and civil liberties—inherent in our system of government.

Given the same conditions, there are no circumstances under which private enterprise cannot operate in the field of the production and distribution of goods and services more efficiently than can government. The only cases where, on the surface, this is not apparent are those in which through subsidies, freedom from taxation or improper allocation of costs, government enjoys a definite competitive advantage. The hidden deficits resulting almost inescapably from government-operated business competing with private business are always paid by the taxpayer.

Thus, government enterprise must necessarily choke out competing private enterprise. The consequent diminished area of taxation intensifies the tax burden upon remaining private enterprise and further increases the handicaps under which private enterprise is unfairly required to compete with the government.

Government competition with private enterprise is a major deterrent to the flow of job-creating capital into private enterprise. It destroys private capital investment incentives and can only lead to state ownership of all enterprise.

Mr. CANNON. Since we understand that a coal-burning, steam generator plant to be built by private enterprise will be able to supply all future foreseeable power demands in the area in question, we urge that the committee not report S. 66 which would authorize construction of a powerplant which would compete with private enterprise. The Federal Government and the taxpayers who support it have no obligation or responsibility to supply the additional power demands of preference customers, particularly when income-producing taxpaying facilities owned by citizen investors stand ready to supply these demands.

We do not think the need for construction of Burns Creek has been proved; on the contrary, the project is unnecessary and unjustified from almost any point of view. It cannot be justified on the basis of an emergency public works project to increase employment, because southeastern Idaho is not an area of substantial underemployment. Perhaps, one of the most economically depressed groups of employees in that general area seems to be the coal miners. This project would

further add to their plight by reducing the quantity of coal required by the Kemmerer steamplant which Utah Power & Light is building in Wyoming.

We feel that it is somewhat ironic that at the same time that the Congress is being asked to spend millions of dollars to solve problems in the depressed areas, which include the coal mining areas, that they are being asked to spend $50 million to disemploy coal miners.

The benefits to irrigation and flood control must be considered relatively minor when one contrasts them with the cost of the project. Less than 2 percent of the project costs are allocated to irrigation and no new land will be irrigated with Burns Creek water. Bureau of Reclamation witnesses testified before the House committee that there was no flood control in Burns Creek.

The project cannot be justified on the basis of a shortage of electricity in the area, for it has been shown there is no shortage of electricity out there now, nor will there be in the foreseeable future. It is admitted, however, there might be a shortage of subsidized Federal power available to the so-called preference customers to meet all their future needs.

Thus, the only tenuous justification for building this $50 million power project is to insure these special privilege customers will continue to have the Federal Government supply all their power needs regardless of the cost to the Nation's taxpayers. This necessarily presupposes that the Federal Government has a utility responsibility to these and all future customers using Federal power. Such a principle is totally at variance with sound government and one which Congress has consistently refused to accept.

Representatives of the preference groups in southeastern Idaho have testified before this committee that they cannot get their electricity from investor-owned electric companies as cheaply as they can from Government. Let's look at this statement a moment, and ask the question: How can Government undersell the electric companies?

If the same conditions apply to both Government and business, there are no circumstances under which private enterprise cannot operate more efficiently in the production and distribution of goods and services than can Government. It is only when Government enjoys a competitive advantage because of subsidies, freedom from taxation, or improper allocation of costs that it may appear on the surface to be more efficient. The hidden deficits resulting almost inescapably from Government-operated business competing with private enterprise are always paid by the taxpayers.

Most of the electricity that would be sold from Burns Creek would go to three municipalities for their industries, commercial establishments, and residential customers. These preferred power users would benefit from what would appear to be low-cost power because they are not required by law to pay their fair share of Federal, State, and local taxes. Similar customers of investor-owned electric companies are required to pay approximately 24 percent of their electric bill in such taxes. Since only people pay taxes, customers of investor-owned electric companies are, in effect, being discriminated against. They help pay for these projects, but receive none of the benefits.

S. 66 provides that Burns Creek shall be integrated financially with the existing Palisades Dam. This is necessary to make Burns Creek appear economically feasible for construction. The available data clearly show that standing alone, Burns Creek would be a most uneconomic undertaking. In order to rationalize this financial integration, it has been said on the Senate floor that, "If a manufacturer should decide that adding a smaller unit to his main plant would more than double his production, it is doubtful that he would waste his time on the academic question of what his unit cost of production at the second plant would be if the first plant did not exist." Similar attempts at such rationalization have been made more than once during hearings on this project. For this reason, let us take a moment to examine the very basic fallacy that exists in the statement.

True, a manufacturer might be favorably inclined toward adding another unit to his plant that would double his output if such an addition would not adversely affect his cost structure. He would never consider, however, adding a unit which was totally uneconomic and which would have the effect of reducing the combined efficiency and productivity of the plant. Data supplied by the Bureau of Reclamation show that by adding Burns Creek to Palisades, the increased availability of kilowatt-hours of electric energy would be doubled. But this is not the most important consideration unless one is concerned only with increased kilowatts of Federal power for preferred customers, regardless of the cost and economics of the situation.

Estimated revenue from the combined Burns Creek-Palisades operation would be increased by approximately $1.7 million per year over that of Palisades alone. But, what would it require to make this increased annual revenue appear available?

It would require the construction of an almost $50 million facility at Burns Creek with about 98 percent of $49 million being allocated to power.

Section 9(c) of the Reclamation Project Act of 1939 provides that interest on the construction investment for power will not be less than 3 percent per annum. In fact, it was brought out in the hearings before the House Irrigation and Reclamation Subcommittee last year that the power revenues from Burns Creek would be over $300,000 short each year of repaying the interest on the construction cost without anything along toward amortization or operating and maintenance costs.

No, Mr. Chairman, no manufacturer would undertake construction of an addition to his plant which has such poor economic benefits, regardless of whether it might appear to double his total output—if he intended to remain in business very long. If he ever did such a foolish thing, his board of directors would probably remove him.

The net effect in regard to electric power would be negative, because the drain on the Public Treasury for capital costs; the fact that this power would merely displace power that can be provided by investor-owned electric companies; the loss in Federal, State, and local taxes due to the diminished area of taxation resulting from displaced private enterprise and displaced employment; the inability of net annual revenues to meet annual interest payments; and the diversion

of the Palisades Dam surplus would all combine to create a total detrimental effect from an economic standpoint.

Therefore, we respectfully urge the subcommittee not to recommend S. 66 because it is contrary to the best interests of the general public.

Thank you for this opportunity to express our views.

Senator CHURCH. Thank you, Mr. Cannon.

Mr. CANNON. Thank you.

Senator CHURCH. Senator Dworshak, have you any questions?

Senator DWORSHAK. No, Mr. Chairman.

Senator CHURCH. Is there anyone else in the room who would like to be heard?

If not, the Chair would like to announce that the record will remain open for 1 week in order that any other party that wants to submit for the record any supplementary statement may have an opportunity to do so.

The Bureau may have an opportunity to submit any additional data that, in the light of the testimony today, the Bureau thinks would be appropriate.

I thank you all for your patience and for your helpful testimony.

Before we adjourn, I would like to read into the record a telegram I have received from Hugh A. Wilson, Secretary of Idaho State Chamber of Commerce:

> Re your tel council of State chambers witness authorized to represent Idaho State Chamber at Burns Creek hearing under usual procedure followed by council and its members. As a member of the council, the Idaho State Chamber supports general policy adopted by council. Council understands, however, that Idaho State Chamber reserves right to clarify and expand its individual position as it relates to council statement on Burns Creek. Idaho State Chamber will report to you and Idaho delegation shortly, following detailed review of council statement.
>
> HUGH A. WILSON,
> *Secretary of Idaho State Chamber of Commerce.*

If there are no further questions, or witnesses, the hearing is adjourned.

(Whereupon, at 8:05 p.m., the subcommittee adjourned.)

# APPENDIX

(Subsequent to the close of the hearing, the following statements and communications were received:)

STATEMENT OF THE BUREAU OF RECLAMATION

After review of the record, as suggested by Senator Church, the Bureau submitted the following statement:

The conclusions stated by Mr. E. M. Naughton, president of the Utah Power Co., to the Senate Subcommittee on Irrigation and Reclamation on March 15, 1961, concerning winter water releases during the 1960–61 season from Jackson Lake and Palisades Reservoirs are not correct.

No water that could be stored to the credit of a Jackson Lake right has been released downstream to provide powerhead at Palisades. All releases past Palisades Reservoir since the close of the 1960 irrigation season have been in conformance with downstream rights and advance concurrence of the advisory committee. All water remaining in the river from Palisades releases has in turn been recaptured and stored in American Falls Reservoir for irrigation use during the 1961 season.

At the end of the 1960 irrigation season, the Bureau of Reclamation, in consideration of the low carryover in all reservoirs, convened an advisory board consisting of the watermaster of water district No. 36, members of the Committee of Nine, and representatives of the canal companies in a position to participate in a winter water savings program. The purpose of the advisory board was to devise the most efficient reservoir operating procedure for maximum conservation of water for irrigation purposes. The board met at least once every month since October and all operations at all times were with the full knowledge and consent of the water users.

At the end of the 1960 season there were 268,000 acre-feet of Palisades water carried over in Jackson Lake Reservoir. This is possible through hydraulic integration wherein holders of Jackson Lake rights exchanged for Palisades water during the previous season. It would have been proper and possible to have returned the Palisades water downstream into Palisades Reservoir at any time after July 1960, and during a critically short water year this will have to be done. This water was allowed to remain in Jackson Lake during the fall months to facilitate recreation use and this water was returned to Palisades starting in January 1961.

Water users holding space in Palisades and American Falls Reservoirs, and who also have been traditionally making winter diversions for stock water, decided in October to curtail these diversions and store the saved water in American Falls and Palisades Reservoirs. The Bureau of Reclamation immediately curtailed water releases at Palisades below normal to the detriment of the power operation for the sole objective of keeping space vacant in American Falls to prevent this reservoir from filling and spilling as is normally the case prior to April 15 from a combination of saved water, releases required to serve rights between Palisades and American Falls and tributary inflow below Palisades. This cooperative operation has been eminently successful. In the process 168,000 acre-feet of new storage accruing to American Falls has been built up in Palisades. On March 14, 1961, American Falls Reservoir held 1,350,000 acre-feet compared to 1,478,000 acre-feet on the same date in 1960 and compared to an average of 1,460,000 for that date. Without hydraulic integration all Palisades inflow would be required to pass Palisades for storage in American Falls until that reservoir filled and spilled * * * and only then would water be legally storable in Palisades.

Thus it can be seen that instead of an operation adverse to the water users' interest, as stated by Mr. Naughton, the exact opposite has been true in that the winter reservoir operations have been in the best interest of conservation of water * * * none has been wasted or lost from the system and the power operation was subordinated all with the advice and consent of the water users at all times.

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POCATELLO, IDAHO, *March 15, 1961.*

Re Burns Creek project, Idaho.

Hon. CLINTON P. ANDERSON,
*U.S. Senator, Washington, D.C.:*

The Tribal Business Council of the Shoshone-Bannock tribes at Fort Hall, Idaho, earnestly request that any legislation that would permit the damming or the closing of Clark's Cut in the Gray's Lake area not be enacted. Tribal lands receive on an average of 11,000 acre-feet of water per year through Clark's Cut and the damming of same would amount to an illegal change of the point of diversion of Indian water and we are not agreeable to accepting promises to have this water returned from other areas after Burns Creek has been filled, which may take several years. We are not financially able to provide for witnesses at your hearings or to employ lobbyists and we ask and expect Congress to honor and respect our treaties and to protect our water rights. Please make this a part of the record.

SHOSHONE BANNOCK TRIBES.

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REXBURG, IDAHO, *March 15, 1961.*

Hon. CLINTON P. ANDERSON,
*Chairman, Senate Committee on Interior and Insular Affairs,*
*Washington, D.C.:*

I strongly urge you to oppose Burns Creek legislation as it appears to be a power project instead of reclamation. There is no shortage of power in this part of the State.

O. W. BENZLEY,
*Immediate Past President Rexburg Chamber of Commerce.*

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EAST ST. LOUIS, ILL., *March 13, 1961.*

Senator CLINTON P. ANDERSON,
*Chairman, Interior and Insular Affairs,*
*U.S. Senate, Washington, D.C.*

DEAR SENATOR: I note that another attempt is being made to revive the Burns Creek project in Idaho which will saddle the American taxpayers with an additional $50 million expenditure, one that cannot be morally or economically justified even with the most wishful and fuzziest thinking.

Since 98 percent of this project is planned for the production of electric power, the expected annual revenue of $1,125,000 is some $311,000 less than the annual interest cost of $1,436,000 even when computed at an unrealistic interest rate of 3 percent; and the greater evil is that there is no possibility of refunding the original cost.

The area in which this project is located already has an abundance of electric power, so why squander our taxes on an ill-conceived plan that will return no dividends, pay no taxes, and benefit only a few preferential customers.

I say let them pay their fair share like other red-blooded Americans by getting their electricity from investor-owned utilities in the areas that pay taxes and do not act as a leech upon the economy.

Your real support and action in stamping out this type of "give-away" program are urgently needed and requested.

Very truly yours,

C. M. EPPARD.

INDEPENDENT COAL & COKE CO.,
*Salt Lake City, Utah, March 9, 1961.*

Hon. FRANK E. MOSS,
*U.S. Senator,*
*Senate Office Building, Washington, D.C.*

DEAR TED: Thanks for the trouble you took to write me your nice letter of March 4.

You say it is difficult for you to understand why the coal interests oppose so strongly the building of Burns Creek and yet seem to approve the construction of Flaming Gorge, Glen Canyon, Curecanti, and Navajo.

My understanding of the utilities' position on reclamation projects is that they go along with the law that provides that any dams built should be preponderantly for reclamation and, of course, in the case of Burns Creek, this is not so. The reclamation service itself admits that 98½ percent of the construction of Burns Creek is for electric power.

Now, I have been in Idaho and I go to Gracie Pfost's home town of Nampa quite often. Some of this cheap power is being used by marginal farmers to develop sagebrush territory with wells and either get paid a subsidy for not farming the ground or raising crops, to add to the gigantic surplus the Government is already carrying.

Therefore, the utilities and the coal people say that we cannot oppose straight reclamation projects for irrigation because that is something that will be repaid on an equitable basis.

The coal industry is interested in Burns Creek because it will sell below-cost power not only to the farmers but to the towns even as large as Idaho Falls, and the reclamation service has made offers to supply power to large industries such as is being done by TVA.

The last time I was in Washington at the House of Representatives' hearing on Burns Creek, Congressman Saylor read the original bill authorizing TVA and I think the year of this was 1936. The bill stated that the project was for flood control and that the development of power would be incidental and of no consequence.

So, today TVA is an autocratic project that does not even submit to the regulations of Congress. It is the largest producer of electric power in the United States and while it originally started out as a flood control project, today 75 percent of their power is made in steam plants and not from water. They, like Burns Creek, want to borrow money at 2 percent or 2½ percent to build the powerplants and then sell the power without paying any taxes. How could a utility that pays 52 percent income tax alone compete with such operations?

I am enclosing a clipping from this morning's paper which shows the taxes paid by Utah Power & Light Co. and I think you will agree that certainly private industry is getting a very poor deal against public power.

Any crowd of mediocre individuals, such as the civil service bureaucrats and the Reclamation Service are, could make money if they were given special advantages such as the public power projects. If it were not for the cheap power that Gracie Pfost is after for the marginal farmers in Idaho, the reregulating dam could be built for in the neighborhood of $5 or $6 million as against the $50 million plus that it will cost for the power project that is being put in.

This morning I have a letter from Ed Naughton, president of the Utah Power & Light Co., on the Burns Creek project and what the Reclamation Service is doing to produce electricity for its giveaway program and from this you can see that our Reclamation Service is neglecting the primary object of Palisades Dam—that is, to protect the irrigation requirements of the farmers in order that they may supply power.

It is quite evident, I think, Ted, from the figures that I have given you that the construction of a powerplant such as Burns Creek would be, is not economically sound and I am sure you realize that if the Government continues to build nontaxing powerplants, it will have to run largely on steampower, then they will destroy the source of tax income that makes Government activities possible.

Now, the only future for coal that I see in this country is in the expansion of the electric utilities and, of course, we are handicapped there because unless we have mine-mouth-to-plant operations we cannot compete with the dump gas that has flooded our territory.

It is needless to point out to you that Government is the controlling partner in business and industry of the United States because, without any approval

on our part, they gouge us for 52 percent income taxes on our earnings, they take no chance of any losses, and we have to take the decisions of the Internal Revenue Service whether we like it or not.

I am sure as a coal miner that I do not want any of the best of it, but frankly, I am tired of this giveaway program to the very vociferous freeriders and I think it is really in the interest of the country as a whole that the welfare of the taxpayers be considered as well as the giveaway pressure gangs.

I certainly have enjoyed the exchange of correspondence with you, Ted, on this because I know you would like to do something for the people in Utah, particularly Carbon County, in trying to survive against the inroads of public power and dump gas and foreign oil.

Kind regards.

Sincerely,

W. J. O'CONNOR, *President.*

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[From the Salt Lake Tribune, Mar. 9, 1961]

U.P. & L. REPORTS 1960 TAX BITE

Taxes in 1960 continued to be the largest single item in the cost of doing business, Utah Power & Light Co. said in its annual report to shareholders Wednesday.

E. M. Naughton, president and general manager, said that of the $10,900,000 tax bill the utility and subsidiaries paid in 1960, $6,006,000 went to the Federal Government; $1,061,000 to county governments; $511,000 to State governments; $621,000 to municipal taxes and $2,785,000 in "school" taxes.

The utility, he said, paid $1,600,000 more in taxes last year than it did in payment of salaries and wages to employees.

The tax bill was $4,100,000 more than was paid for fuel to power steam-electric plants and consumed 21 cents out of every dollar of revenue received from customers.

The annual report notes that the new Texas Gulf Sulphur Co., potash mine at Cane Creek on the San Juan-Grand Counties line will consume between 12,000 and 15,000 kilowatts and will be served from a new high voltage line which was built into the uranium and oil fields of the area 5 years ago.

Utah Power looks to the San Francisco Chemical Co.'s phosphate developments in Uintah County as a major consumer of power. A $3 million first phase mine and beneficiation program was completed in early 1961 and "three more phases are scheduled to be added in the near future," he said.

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STATEMENT IN OPPOSITION TO S. 66, DISTRICT 22, UNITED MINE WORKERS OF AMERICA

District 22 of the United Mine Workers of America is sincerely convinced that Burns Creek is an unnecessary power project which would be built for the benefit of a few preference customers. We represent some 2,600 miners in Utah and Wyoming, all we have left of the about 7,000 miners we had 10 years ago.

We and the mineworkers whom we represent do not think we should have taxes deducted from our pay checks each period to help pay for a hydroelectric powerplant which will directly compete with us.

This is very unfair, because the facts indicate that electric power from Burns Creek project would be sold to only a few preferred customers who are much better off financially than the mineworkers in the area.

The Burns Creek hydroelectric project as proposed will include a 90,000-kilowatt hydroelectric plant which will generate an estimated 50 million kilowatt-hours per year. If these 50 million kilowatt-hours were supplied by a steam electric plant burning coal, it would consume about 250,000 tons of coal per year. To mine this amount of coal would require about 20,000 man-shifts of coal-miner labor. It would bring to our area about one-half million dollars in annual miners' wages.

The coal miners are in desperate need of this additional coal-mining business. In recent years, the coal miners have experienced a sharp curtailment in work which has created considerable unemployment resulting in many hardship cases and causing much suffering and misery. This has had a terrific impact upon our economy in the coal-mining communities in both States. Some of our towns

have already become ghost towns, and we should not allow the other communities to disintegrate into social and economic stagnation.

The Utah Power & Light Co. has under construction a 150,000-kilowatt steam-electric plant near Kemmerer in western Wyoming. This plant, which will burn coal exclusively, has already been postponed 2 years because of surplus hydroelectric power being available in the area. We have protested the construction of the Burns Creek project because it is a further threat to the Kemmerer plant and our coal-mining livelihood.

The Senate committee in hearings last year recognized this threat, and as a result I note that S. 66 attempts to correct it with language which provides that the Burns Creek generating units will not be installed until the preference customers are able to consume the power.

This new language, however, fails to hide the fact that Burns Creek will still injure the coal-mining business in the area. Providing for delayed installation of some of the Burns Creek generating units ignores the fact that if the Government did not assume the continuing responsibility to supply the electric power requirements of these few preference customers by building hydroelectric plants, then these same customers would be obliged to buy their additional requirements from the investor-owned power companies rather than from the Government.

The use of cheap natural gas and oil in the homes and industry and the use of the diesel engines by the railroad have already seriously affected the coal miner. Please do not further hurt us by giving us further competition by building the Burns Creek hydroelectric plant, which would not put any new land under cultivation. We coal miners are not against Government irrigation projects, but Burns Creek is not for irrigation but is almost exclusively a power project.

Coal is a vital commodity in time of emergency. If projects such as Burns Creek are allowed to reduce our employment and drive the coal miners into other employment during normal times, who is going to mine the coal during times of emergency?

Our employment is mostly seasonal. We have peak employment in the winter and fall. Our minimum employment is in the summertime.

Mining coal for the production of electricity is a fairly constant year-round operation, and therefore, very beneficial to the coal miners.

We are not asking you to spend Government money to aid the coal miners in district 22. All we are asking you is that you do not authorize a $48 million Government hydroelectric plant which would dilute the coal consumption by 250,000 tons per year in our area and do away with 20,000 man-shifts per year of potential work for our coal miners.

District 22, United Mine Workers of America strongly urges that the members of this committee reject S. 66.

It is requested that this statement in opposition to the construction of Burns Creek be carefully considered by the committee and be made a part of the record of hearings.

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STATEMENT OF THE AMERICAN PUBLIC POWER ASSOCIATION

The American Public Power Association, a national trade association representing more than 1,000 local publicly owned electric systems throughout the United States and Puerto Rico, supports S. 66, to authorize construction of the Burns Creek project in Idaho.

At its 1960 annual convention, held May 3–5 in Washington, D.C., APPA approved the following resolution:

"RESOLUTION No. 19

"BURNS CREEK PROJECT

"Whereas legislation has been passed by the Senate, and is under consideration in the House, for authorization of the multiple-purpose Burns Creek project in the upper Snake River Valley in Idaho, and

"Whereas this project would be integrated, electrically, hydraulically, and financially with the upstream Palisades project, and would provide reregulation of water releases from Palisades Dam for more efficient use of Palisades, 90,000 kilowatts of at-site power production, holdover storage for irrigation, recreation, and fish and wildlife benefits, and

"Whereas power from the Burns Creek project would assist municipal electric systems and rural electric cooperatives in the area in meeting critical power supply needs, and

"Whereas the project has been recommended by the Department of the Interior, approved by the Budget Bureau, endorsed by States in the region, and enjoys wide-spread local support, and

"Whereas any development at the Burns Creek site which does not include at-site power production would constitute wasteful underdevelopment of water resources and would be financially undesirable: Now, therefore, be it

"*Resolved*, That the American Public Power Association urges congressional authorization of the Burns Creek project at this session of Congress, to provide comprehensive development of the available water resources."

The basic issue involved in the Burns Creek project is whether this site should be developed in accordance with the principle of comprehensive multiple-purpose water resource development.

Assistant Secretary of the Interior Kenneth Holum has told the subcommittee that the Department has found Burns Creek "completely justifiable and financially feasible. It would conserve water for irrigation use in an area where every drop of water is needed. It provides an opportunity to obtain maximum power flexibility from the existing Palisades project and at the same time further develop the resource by generating additional power and energy at the Burns Creek site. Combining Burns Creek with the Palisades project to form a coordinated unit operationally and financially is sound policy."

More than half a century ago, President Theodore Roosevelt made this statement in an historic message to the Congress: "Every stream should be used to its utmost. No stream can be so used unless such use is planned in advance. When such plans are made, we shall find that, instead of interfering, one use can often be made to assist another. Each river system, from its headwaters in the forest to its mouth on the coast, is a single unit and should be treated as such."

Authorization of the Burns Creek project would represent implementation of this concept. Proposals for lesser development than that contemplated by S. 66 would mean waste of a water resource.

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STATEMENT OF WILLIAM J. O'CONNOR, DIRECTOR, UTAH-WYOMING COAL OPERATORS ASSOCIATION AND THE NATIONAL COAL ASSOCIATION

I am William J. O'Connor, a director of the Utah-Wyoming Coal Operators Association and a director of the National Coal Association, and former member of its execuitve committee, and I am also president of the Independent Coal & Coke Co. with substantial coal mining operations in the area affected by this legislation. This statement is made on behalf of the Utah-Wyoming Coal Operators Association, which association consists of seven commercial coal mine operators in the State of Utah and two commercial coal mine operators in the State of Wyoming, each engaged in the commercial operation of mining coal, and the National Coal Association. The coal mined by our association is distributed in the States of Idaho, Montana, Nebraska, Nevada, Oregon, Utah, Washington, and Wyoming. There are employed in the mining of coal by the members of our association between approximately 1,500 men, which prevails at the present time, and 2,500 at peak seasons.

In the year 1957, there was transported by rail approximately 3,630,000 tons of coal mined by the members of our association; in 1958, 28 percent less coal, or approximately 2,622,000 tons of coal, were mined and transported by rail. The hauling of coal is an important railroad transportation business in the States of Idaho, Wyoming, and Utah and other States in which the coal is used. It produces revenue for the transportation industry approximating $13 to $15 million annually.

The supplies we purchase from the market areas served by our member companies and used in mining operations will approximate $4 to $5 million per year.

The coal industry in the area served by our companies pays very substantial taxes to the Federal, county, and State governments.

One of the most important uses of coal in our local area is for the production of electric power by steam generation.

We have observed the construction of reclamation projects in the West, such as the Colorado River storage project, which include the generation of electricity by the use of waterpower. The Colorado project has for its objective the development of the water resources of the States involved and incidentally the generation of electric energy. Projects of this kind, which have for their principal purpose the development of water resources, have not been objected to by our association. The reason for our position with respect to such projects is that the development of our water resources results directly in an increase in the population and business activity, thereby giving us a larger market for our product.

The Utah-Wyoming Coal Operators Association and the National Coal Association believe that projects principally for power, such as the Burns Creek project, should not be authorized.

The Burns Creek project does not have as its principal objective the development of water resources. According to the Bureau of Reclamation less than 2 percent of its cost is for irrigation and 98 percent is for electric power. The plan proposes the construction of a 90,000-kilowatt hydroelectric plant. One-half billion kilowatt-hours annually would be produced by that plant. The output of such a plant will be equivalent to 200,000 to 250,000 tons of coal per year. The Burns Creek project is designed largely for the development of electric power and not for the development of water resources. It will not increase acreage under cultivation and, therefore, differs in a substantial way from true reclamation projects.

A good part of the economy of the Utah-Idaho-Wyoming area is based upon the mining and distribution of coal. If there is a need for 90,000 kilowatts of additional electric power in the area of the Burns Creek plant, that power should be developed by the use of coal, and thereby add to the economy of the area. One-half billion kilowatt-hours of electric energy is the equivalent of approximately 20,000 man shifts working in the mines, which would bring to the people of our area engaged in mining more than one-half million dollars annually in wages.

The coal industry is now plagued with part-time employment in summer time due to the seasonal use of coal. We have already felt the detrimental effect of hydropowerplant construction in Idaho—including the Palisades project—where hydropower has been sold at dump rates to undercut the price of coal-generated electric energy with the resultant curtailment of mine operation, loss of wages, and general impairment of the economy of the already hard pressed coal industry of our area.

I would like to point out that only 3 percent of our Nation's coal production comes from mines west of the Mississippi River. Commercial coal mining has been extremely hard hit in the States of Wyoming, Montana, and Washington and in Utah is being subjected to some very drastic competition. The only possible increasing market for coal from these States is for the production of electric power.

Independent Coal & Coke Co., which I head, mines a million tons of coal a year and is the largest commercial coal producer west of the Mississippi River. Without the volume which our present coal sales to electric utilities gives us we would not be able to operate our mines.

The use of coal by such industries as the electric power industry results in all year around production of coal. Coal can be mined the year around and used the year around for the production of electricity, thereby providing employment for coal miners throughout the season when normally they would be working only 2 or 3 days a week, as they are doing at the present time. We sincerely hope tht nothing will be done to reduce the coal market in our area. We urge that everything possible be done to increase coal use and aid a distressed industry and the workingmen and their families it supports.

The coal producers heretofore presented testimony before the Senate committee showing that Burns Creek would be very detrimental to the coal industry. The proponents of the bill evidently were convinced that Burns Creek would be detrimental to our industry because they attempted to remedy the situation by inserting an amendment in the bill specifically for the purpose of making the bill palatable to the coal interests. Such amendment provides that the: "installation of power generating facilities shall be scheduled by the Secretary on the basis of providing for the additional power requirements of those entitled to preference in the purchase thereof under the Federal reclamation laws." The only effect of this amendment would be to postpone, by 2 or 3 years, the blow

that would fall on the coal industry as a result of constructing Burns Creek. Regardless of any amendments made to the bill, the fact still remains that if 90,000 kilowatts of hydropower are installed at Burns Creek it would have the following harmful and serious effects:

1. 90,000 kilowatts less steam-electric power will be developed.
2. One-half billion kilowatt-hours less of steam-electric energy will be generated annually.
3. Twenty thousand less man-shifts of coal mine labor will be employed each year.
4. One-half million dollars less in coal mining wages would be available annually in the area.

For these reasons, the Utah-Wyoming Coal Operators Association and the National Coal Association respectfully urge you not to authorize this unsound and harmful project.

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