PROVIDING FOR THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF THE COUGAR DAM AND RESERVOIR ON THE SOUTH FORK McKENZIE RIVER, OREG., WITH PARTICIPATION FOR POWER BY THE CITY OF EUGENE, OREG.

JULY 9 (legislative day, JULY 2), 1954.—Ordered to be printed

Mr. Bush, from the Committee on Public Works, submitted the following

REPORT

[To accompany H. R. 7815]

The Committee on Public Works, to whom was referred the bill (H. R. 7815) to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg., having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF THE BILL

The purpose of the bill is to modify the comprehensive plan of improvement for the Willamette River Basin as authorized by the act of Congress approved June 28, 1938 (52 Stat. 1215), as amended and supplemented, to provide for the development of the Cougar Dam and Reservoir with power facilities in accordance with plans contained in House Document No. 531, 81st Congress, and to provide that the power facilities may be constructed by the city of Eugene, Oreg., in accordance with the terms of the Federal Power Act and subject to conditions specified in the bill. The dam and reservoir would be constructed, operated, and maintained by the Department of the Army as a unit of the comprehensive plan for the Willamette River Basin for flood control, navigation, power, conservation, and other beneficial uses. Construction of the power-generating facilities and appurtenances by the city of Eugene or by the Corps of Engineers as agent for and with funds provided by the city would be authorized in accordance with provisions of a license to be issued by the Federal Power Commission.
The bill also provides for operation and maintenance of the power facilities and appurtenances by the city of Eugene at its own cost and expense, and for payment by the city of such share of the cost of constructing, operating, and maintaining the dam and reservoir as may be appropriately allocated to power development. Operation of the dam and reservoir insofar as such operation affects the development of power, the contribution of funds by the city, and other matters of joint concern would be implemented by agreement between the city of Eugene and the Chief of Engineers.

EXPLANATION OF THE BILL

The Cougar Dam and Reservoir is one unit of an alternate plan to replace the Quartz Creek Reservoir, authorized by the Flood Control Act of 1938 as a unit in the comprehensive plan for flood control and other purposes in the Willamette River Basin which is a part of the Columbia River Basin. The plan of improvement was amended and supplemented by the Flood Control Act of 1950.

The proposed dam site is at mile 4.4 on the South Fork of the McKenzie River, about 44 miles northeast of Eugene, Oreg. The dam would be an earth and gravel-fill structure, 1,630 feet long and 445 feet high. The reservoir would have a total capacity of 210,000 acre-feet, of which 28,000 acre-feet would be dead storage, 27,000 acre-feet power storage, and 155,000 acre-feet flood-control storage.

The present authorization provides for flood control, navigation, irrigation, and other beneficial uses, with provisions for the future installation of power facilities. Plans presented in House Document 531, 81st Congress, indicated that the installation of power facilities is economically feasible. A power installation of 25,000 kilowatts is proposed, which would produce about 109 million kilowatt-hours of energy annually.

The total estimated cost of the project is $37,400,000, including the power facilities and the cost of construction of a fish hatchery (salmon) below the dam. The cost of production of the power at this project is about 4 mills per kilowatt-hour. The benefit-cost ratio of the flood-control project is 1.88, and for the power project it is 2.06.

H. R. 7815 would modify the approved plan for the Willamette River Basin to provide for the development of the Cougar Dam and Reservoir in accordance with the plans recommended in House Document 531, 81st Congress, with the power facilities constructed by the city of Eugene, Oreg., under a license issued by the Federal Power Commission and subject to the Federal Power Act and certain other conditions. The dam and reservoir would be constructed, maintained, and operated by the Corps of Engineers under existing authority. The power-generating facilities and appurtenances would be constructed by the city of Eugene, or by the Corps of Engineers with funds contributed by that agency. Such facilities would be maintained and operated by the city at their expense.

The city of Eugene proposes an installation of 39,000 kilowatts, consisting of 37,500 kilowatts at the main dam and 1,500 kilowatts at a reregulating dam 3 miles below the main dam. The estimated cost of the power features, including the cost of the dam and reservoir properly allocated to power, is $10,500,000. Operating features would be subject to an agreement between the Corps of Engineers and the
city of Eugene. Runoff characteristics of the McKenzie River will permit seasonal use of the flood-control storage for power generation. Operation of Cougar Reservoir for power purposes will increase the power output at the two existing hydroelectric plants on the McKenzie River downstream therefrom, owned and operated by the city of Eugene.

The site of Cougar Dam is above and near the service area and existing facilities of the Eugene Water and Electric Board, a department of the city government of Eugene, Oreg. A preliminary permit has been issued to the board by the Federal Power Commission for investigation of power developments on the upper McKenzie River above Cougar. The city will provide the necessary transmission lines from the Cougar project to connect with existing lines in the region for distribution of the power, thus reducing the ultimate costs of the project.

The committee was advised at a public hearing by representatives of the Eugene Water and Electric Board of their expanding need for power and the many benefits that would be obtained from the Cougar development. It was stated that this project would provide seasonal storage and peaking capabilities vitally needed to supplement their existing system. The flood-control benefits in the lower reaches of the McKenzie River and in the immediate vicinity of the city of Eugene from the Cougar project were also emphasized.

The bill provides the general principles which are considered sound under which the city of Eugene, Oreg., and the Federal Government would undertake joint development of the Cougar project. Details of the arrangements for joint development under these principles would be worked out by the Chief of Engineers and the Federal Power Commission with the Eugene Water and Electric Board. The development of power at the Cougar project would not diminish any other project benefits but would, together with the other purposes served, result in the optimum development of the dam site as a part of the comprehensive plan of improvement of the Willamette River Basin.

In the event that the city of Eugene, for any reason, decided at a later date not to participate in the project, the authority contained in this bill is considered sufficiently broad to permit construction of the entire project by the Federal Government under the direction of the Secretary of the Army and the supervision of the Chief of Engineers. Accordingly, enactment of H. R. 7815 would not result in delaying the time when the project would be developed to make available the urgently needed benefits. The arrangements for joint development should make it possible for earlier development owing to the substantial reduction made possible in Federal expenditures to achieve the project benefits.

As pointed out by the Secretary of the Interior in his comments on the bill, it is important from the regional standpoint that the operation of the Cougar project be so integrated with that of other plants in the region as to provide the maximum flood-control and power benefits. He expresses the belief that appropriate provision for such integration can be made in connection with the issuance of a license for the project by the Federal Power Commission. The committee is in accord with the views expressed by the Secretary, and expects the license issued by the Federal Power Commission to contain provision for such integration.
Hearings on this bill were held by the Committee on Public Works of the House of Representatives on April 28, 1954. They have been printed and were included in the record of the Senate committee. Representative Ellsworth, author of the bill, and representatives of the Eugene Water and Electric Board, civic associations in the area, the Corps of Engineers, and the Federal Power Commission presented testimony in favor of the bill. No one appeared in opposition.

The Senate committee held hearings on May 20, 1954, following passage of the bill by the House of Representatives. Testimony in favor of the bill was received from Senator Guy Cordon, author of the companion Senate bill, S. 2920, and from representatives of the Eugene Water and Electric Board, and the Corps of Engineers. No one testified in opposition to the bill.

In addition, the committee has received letters or telegrams in favor of the bill from the following: Pacific Northwest Utilities Conference Committee; Eugene City Council; the Governor of the State of Oregon; the mayor of Junction City, Oreg.; Board of County Commissioners, Lane County, Oreg.; Benton County Chamber of Commerce; Lane County Parks and Recreation Commission; seven local granges, and several civic organizations.

Nearly 3 weeks after the Senate hearings were completed, the committee received requests from the Washington and Oregon State granges and the Oregon State Federation of Labor for comprehensive hearings in the Columbia Basin area covering this and 3 other somewhat similar bills. The Oregon State Federation of Labor also stated that all four bills are not acceptable to its membership. The committee proposed that it hold a hearing at Eugene to obtain any additional testimony that might be offered on the Cougar bill, H. R. 7815. It was informed that additional hearings were not desired on this bill alone and that what was desired was extensive hearings of a much broader scope. The committee feels that such extensive hearings would have little or no bearing upon the merits of this particular bill.

Senator Wayne Morse filed a statement in opposition to the bill on June 28, 1954, which has been incorporated in the printed record of the hearings.

The committee also had before it two bills which would amend the present authorization for Cougar Dam and Reservoir for flood control, to include development of hydroelectric power by the Federal Government. S. 87 was introduced in the Senate on January 7, 1953, and S. 3623 was introduced on June 17, 1954. Comments from the Federal agencies on S. 87 were favorable to the purposes of the bill but recommended that they be included in a general flood-control bill rather than in a special bill. No hearings have been held on S. 87. Although S. 87 has been before the committee since January 7, 1953, there have been no requests for hearings or other action on that bill which provides for Federal development of the power facilities.

RELATIONSHIP TO COMPREHENSIVE PLAN

The preponderance of the testimony and statements received by the committee was in favor of the bill. The only opposition expressed appeared to be based upon a belief that joint development by the
Federal Government and local agencies would adversely affect the prosecution and operation of the comprehensive plan of development for the Columbia Basin which has been approved and partially authorized in prior acts of Congress. The committee has given consideration to the relationship and effect of this project with respect to all provisions of existing law relating to water resources development in the Columbia Basin.

The comprehensive plan, sometimes referred to as the “308” plan, is outlined in the report of the Corps of Engineers printed in House Document No. 531, 81st Congress. It contains an inventory of potential water-resource projects and sets up proposed stages of development. It recommends authorization of certain initial stages for development by the Federal Government. Other stages are left for future consideration when sufficient need and justification might develop. Prior acts of Congress have approved some of these initial stages and have authorized appropriations to be made in specifically limited amounts for partial accomplishment of such stages. This committee considered and recommended these existing authorizations. It recommended only such amounts as could be justified on the basis of equitable consideration of the needs of the entire Nation. It did not contemplate that all development of the water resources in this or any other basin would be financed and undertaken exclusively by the Federal Government. In fact, the “308” report itself recognizes that hundreds of water-resources projects have been undertaken in the past entirely by local people and contemplates that many others will be developed by them in the future. These projects are specifically incorporated in the ultimate plan. It also provides for direct local participation and financial contributions for many of the projects recommended to be undertaken by the Federal Government. The comprehensive plan outlined in that report is in fact a partnership program in a very substantial degree, the full accomplishment of which is dependent upon the combined efforts and participation of the Federal Government, local government agencies, and private individuals or combinations thereof.

This is not the first comprehensive plan that has been developed for this basin. It is the most up-to-date plan available today, but changing physical and economic conditions will certainly result in further modifications in the future. The place of the Federal Government in various phases of water-resources development may vary from time to time depending upon the laws which the Congress chooses to enact. It is important to recognize, however, that regardless of whether the Federal Government undertakes water-resources development to a greater or less degree, it always maintains control over all non-Federal development on navigable streams and on streams affecting navigable waters. In the Federal Power Act of 1920, Congress adopted the policy of providing for the development, transmission, and utilization of power, and the fostering of other beneficial uses on streams subject to Federal jurisdiction, upon lands of the United States, and at Government dams, by private and public agencies acting under licenses issued by the Federal Power Commission for terms limited to 50 years and upon conditions which protect every public interest in the water resources involved. Licenses so issued are predicated upon the fundamental premise that the projects are best adapted to plans for comprehensive river-basin development.
for all public purposes. It is not necessary for a waterpower project to be undertaken by the Federal Government in order to insure that it will conform to a comprehensive plan. Such conformance is already required by the Federal Power Act for non-Federal projects, both private and public. There are many waterpower projects in operation or under construction today in this basin which are considered as parts of the comprehensive plan in the “308” report and which have been built under Federal Power Commission licenses, some long before the “308” report was prepared and others subsequent to its preparation.

The city of Eugene now owns and operates two waterpower projects on the McKenzie River. It also has a steam plant and purchases additional power from the Bonneville Power Administration. It is a member of the Northwest power pool. The system has a capacity of 60,000 kilowatts but its load demand has already reached 58,000 kilowatts in 1954. The estimated load for 1960 is about 90,000 kilowatts, and for 1970, 130,000 kilowatts. Since power is short throughout the area, the city seeks to meet some of its increasing demands by building additional hydroelectric plants on the McKenzie River and its tributaries.

If it were not for the fact that Congress has approved a flood-control dam at the Cougar site, the city could obtain a Federal Power Commission license for the development of this site without any further action by Congress. The Federal plan for Cougar contemplates eventual development of power facilities but such facilities have not yet been authorized by Congress. The city now proposes the joint development provided for in this bill.

Under this proposal, the city would bear the cost of all direct and joint facilities allocated to power, amounting to $10,523,000. The remainder of the total project cost, chargeable to flood control, navigation, irrigation, and water supply, amounting to $26,877,000, would be borne by the Federal Government. Operation of the project for all purposes other than power would be under direct control of the Corps of Engineers. The power facilities would be operated by the city in accordance with conditions prescribed in the license issued by the Federal Power Commission. Those conditions will include all necessary safeguards to insure operation in conformance with the best beneficial uses of the site.

It is understood that some concern has been expressed as to whether this project will be integrated with other projects in the comprehensive plans which have been or may be undertaken by the Federal Government alone. A review of existing law and the provisions of this bill will put any such concern at rest. The term “integration” has many shades of meaning. In the realm of water-resources development, it can be described simply as meaning the development and operation of various projects in coordination with one another in such a way as to produce maximum effective and beneficial use of the water resources.

With respect to the proposed joint development of the Cougar project, the terms of this bill together with existing law provide fully for coordinating this project with others which have been or may be undertaken by the Federal Government alone to at least the same degree as is proposed in the “308” report. Section 2 of the bill requires that the Cougar Dam and Reservoir shall be constructed, operated, and maintained by the Department of the Army as a unit of the com-
Provide for Cougar Dam and Reservoir

Comprehensive plan for the Willamette River Basin for the control and utilization of the water resources for flood control, navigation, power, conservation, and other beneficial purposes. This is exactly the same development and control as proposed in the "308" report, and the same Federal agencies will be responsible for operating the projects in coordination with other projects. With respect to the generation and marketing of power, this will be done by the city in such manner as will not interfere with other water uses and under the provisions of the Federal Power Act which require that such licensed projects shall be best adapted to develop, conserve, and utilize in the public interest the navigation and water resources of the region. The plans of the city provide for even greater power production benefits than has been proposed under the "308" report. The Federal development contemplated operation of the power facilities as a base load plant with a capacity of 25,000 kilowatts and annual output of 109 million kilowatt-hours. Because of its load characteristics, the city will integrate the Cougar power facilities in its existing power system to be operated largely as a peaking plant with a capacity of 39,000 kilowatts and an annual output of 154 million kilowatt-hours. This is a 40-percent greater output than provided for in the "308" plan.

A review of the possible benefits of feeding Cougar power into the Bonneville Power Administration system and commingling it with other power in the Northwest power pool shows that there will be a decided advantage in favor of the city's plan. The Northwest power pool is a voluntary interconnection of public and private utility systems operated to take best economic advantage of the varying loads and capacities of the individual member systems. Practically all of the power generated in the area is fed into the interconnected transmission lines. It flows in these lines until it reaches the nearest load center where sufficient power to meet that load is taken off, with the remainder continuing to flow in the system until taken off at successive load centers. This voluntary partnership has had the beneficial result of increasing the total output of the area more than 500,000 kilowatts over the sum of the capacities of the members of the pool if their systems were operated without pooling. The Bonneville Power Administration, which is the marketing agency for the Federal hydroelectric plants in the area, is a major partner in the pool with a total capacity of 3,270,000 kilowatts. The local public agency members have a total capacity of 1,190,000 kilowatts and the private utility members have 1,325,000 kilowatts.

The Eugene Water and Electric Board is a member of the Northwest power pool and its representatives state that economic considerations dictate that it will continue to participate in the pool in the future. If the Cougar power were developed by the Federal Government it would be marketed by the Bonneville Power Administration and would be fed into the Northwest power pool. Since Eugene is the closest load center to the Cougar plant, the Cougar power would be immediately taken off into the Eugene system to the extent needed to meet its load since the city is a public preference customer under the law applying to the marketing of power from Federal projects. The city would pay Bonneville for the power it uses from Cougar. Any power from Cougar not needed by Eugene would flow on in the pool.

If Cougar power is developed by the city, it would be disposed of in the same way. It would be fed into the pool, Eugene's needs would
be drawn off immediately from the pool, and any surplus would flow
on in the pool. Since the city will use most of the power generated
at Cougar in either case, the economic differential is determined by
comparing the cost of buying power from Bonneville with the cost of
operation of Cougar power by the city. Engineers employed by the
city have estimated that if the power is developed by the city, it would
save $100,000 per year on its power costs as compared with the price
it would have to pay Bonneville at its present rates for the equivalent
power needs. If the Bonneville rates are increased as is expected
when the new high-cost dams come on the line, the saving would be
at least $200,000 per year.

The available information therefore shows that all nonpower uses
and benefits will be obtainable in full under the joint development
plan the same as under single Federal development, and all such non-
power facilities will be actually operated and administered by the
same Federal agencies under either plan. Under the joint plan, the
power uses and benefits will be greater than under single Federal
development and the public interest is fully protected by the terms of
this bill and the Federal Power Act. In addition, adoption of the
joint plan will relieve the already overburdened Federal Treasury of
an expenditure of more than $10,500,000 in the development of this
important water-resources project.

CONCLUSIONS

The committee feels that this proposal is an excellent example of
local initiative in water-resource development. Waterpower is now
wasting away at this site. Every year 154 million kilowatt-hours of
energy is lost as the water flows on down to the ocean. Ever since
the "308" survey was started in 1943, the assumption has been that
the Federal Government would harness this water. In 1950, develop-
ment for flood control and other nonpower purposes was authorized
by Congress. Power development has not yet been authorized. The
most important purpose of the project is flood control. Proportion-
ately, power is of lesser magnitude but it is equally beneficial to
power users. The city of Eugene is concerned with both flood pro-
tection and power supply. There is no certainty as to whether or
when the Federal Government might get around to developing the
project in its entirety. The city proposes to participate in the financ-
ing and development of the project and by doing so the public will
gain a better development and a lower expenditure of Federal funds.
Local participation of this kind is badly needed if we are to make
better progress in the development of our water resources. The total
bill for reasonably complete development in the entire Nation would
run well over $100 billion. It will take the cooperative efforts and
financing of everyone concerned to accomplish such a tremendous job.

The committee believes that the adoption of this joint plan is in
full accord with long-standing power policy of the Federal Government
as provided in the Federal Power Act of 1920. House Report No. 61,
66th Congress, on the Federal Power Act explains the purpose as
follows:

It proposes a method by which the waterpowers of the country, wherever
located, can be developed by public or private agencies under conditions which
will give the necessary security to the capital invested and at the same time
protect and preserve every legitimate public interest.
That act also provides that preference must be given to public agencies in the granting of licenses for such developments. It further specifically authorizes the issuance of licenses for the purpose of utilizing the surplus water or waterpower from any Government dam.

The committee is of the opinion that denial of this proposal would mean depriving the city of the right to meet its power needs at this time solely because the Federal Government has preempted the Cougar site for nonpower purposes. It believes that such denial would contribute to impeding the economic development of an area where the crying need for more power has been raised repeatedly and consistently for several years past. It is of the firm conviction that Congress should encourage such proposals whereby local agencies seek to do all that they can with their own resources and look to the Federal Government only for those things that are beyond their own capabilities. It notes that within the past month, Congress has completed action on a bill authorizing a similar proposal in Oklahoma where the Federal Government released a previously authorized power and flood-control site for development by a State agency with Federal financial participation. Furthermore, the Federal Government has granted to other municipalities and public utility districts in this same area the right to develop waterpower projects with a total capacity of over 1 million kilowatts now in operation and an additional total of more than 450,000 kilowatts now under construction or on the drafting boards. All of these projects are contributory units of the comprehensive development of the basin. The committee feels that the city of Eugene is entitled to the same consideration in granting this right as the dozens of other local governmental agencies in the area and throughout the Nation have already received.

The committee believes that the evidence shows this proposal to be clearly in the best public interest and it recommends prompt passage of the bill.

Comments of the Department of the Army, the Federal Power Commission, and the Bureau of the Budget on S. 2920, a similar bill, and the comments of the Department of the Interior addressed to the chairman of the House Committee on Public Works, are as follows.

DEPARTMENT OF THE ARMY,
April 26, 1954.

Hon. Edward Martin,
Chairman, Committee on Public Works,
United States Senate.

Dear Mr. Chairman: Reference is made to your request for the views of the Department of the Army concerning S. 2920, 83d Congress, a bill to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg.

The Department of the Army has considered the above-mentioned bill. The purpose of the bill is to modify the comprehensive plan of improvement for the Willamette River Basin as authorized by the act of Congress approved June 28, 1938 (52 Stat. 1215), as amended and supplemented, to provide for the development of the Cougar Dam and Reservoir in accordance with plans contained in House Document No. 531, 81st Congress, and further to authorize the inclusion of power facilities which may be provided by the city of Eugene, Oreg. The dam and reservoir would be constructed, operated, and maintained by the Department of the Army as a unit of the comprehensive plan for the Willamette River Basin for flood control, navigation, power, conservation, and other beneficial uses. Construction of the power generating facilities and appurtenances by the city of Eugene or by the Corps of Engineers as agent for and with funds provided by the city would be authorized, the construction to be in accordance with provisions...
of a license to be issued by the Federal Power Commission. The bill also provides for operation and maintenance of the power facilities and appurtenances by the city of Eugene at its own cost and expense, and for payment by the city of such share of the cost of constructing, operating, and maintaining the dam and reservoir as may be appropriately allocated to power development. Operation of the dam and reservoir insofar as such operation affects the development of power, the contribution of funds by the city, and other matters of joint concern would be implemented by agreement between the city of Eugene and the Chief of Engineers.

The site of the Cougar Dam is on the South Fork McKenzie River, Oreg., about 44 miles north and east of Eugene, Oreg. The Cougar Dam and Reservoir is one unit of the comprehensive plan of improvement for the Willamette River Basin, Oreg., as authorized by the act of Congress approved June 28, 1938, as amended and supplemented. The present authorization for the Cougar project provides for the primary functions of flood control, navigation, and irrigation as well as other beneficial uses, however, it does not provide for the inclusion of power-generating facilities other than minimum facilities for possible future use.

The presently authorized project has a high degree of economic feasibility, and its immediate construction is well justified. The inclusion of power-generating facilities in the Cougar project is also economically justified and is a desirable addition from the standpoint of achieving maximum control and utilization of the water resources of the river basin. In addition to the increment of cost required to provide generating facilities, power would also carry a share of the joint costs of the overall project and its inclusion would reduce the cost necessary to provide for the other uses.

The provisions of S. 2920 provide a satisfactory basis for cooperative development of the project, and this Department favors the enactment of the bill into law.

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

Sincerely yours,

ROBERT T. STEVENS,
Secretary of the Army.

FEDERAL POWER COMMISSION,
April 26, 1954.

Hon. Edward Martin,
Chairman, Committee on Public Works,
United States Senate.

Dear Mr. Chairman: In response to your request there are enclosed three copies of the report of the Federal Power Commission on S. 2920, 83d Congress, a bill to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg.

We have just been advised that there is no objection by the Bureau of the Budget to the presentation of this report to the Committee on Public Works.

Sincerely yours,

JEROME K. KUYKENDALL,
Chairman.

FEDERAL POWER COMMISSION REPORT ON S. 2920, 83D CONGRESS

A bill to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg.

This bill, S. 2920, would modify the comprehensive plan of improvement for the Willamette River Basin, Oreg., as authorized by the 1938 Flood Control Act (Public Law No. 761, 75th Cong., 52 Stat. 1215), as amended and supplemented by subsequent acts of Congress, to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir multiple-purpose project on the South Fork McKenzie River by the Department of the Army as a unit of such plan in accordance with House Document 531, 81st Congress. It would further modify the plan to include power facilities at the Cougar Dam which may be provided by the city of Eugene, Oreg., in accordance with the Federal Power Act and this bill.
The bill authorizes the appropriation of funds for the construction, operation, and maintenance of the Cougar Dam and Reservoir by the Department of the Army for flood control, navigation, power, and other purposes as a unit of the comprehensive plan for the Willamette River Basin, and provides that the dam and reservoir shall remain the property of the Federal Government. It is further provided that the Army shall enter into a contract with the city of Eugene for the operation of the dam and reservoir insofar as power development would be affected, and for the payment by the city to the Army of the portion of the cost of construction, operation, and maintenance of the dam and reservoir allocated to power by the Army in collaboration with the Federal Power Commission.

S. 2920 contemplates that the power-generating and appurtenant facilities be constructed by the city or by the Army with city funds and owned by the city. Such construction, operation, and maintenance would be undertaken in accordance with a Commission license and the provisions of the bill.

Section 4 provides that the costs allocated to power shall be in accordance with the separable-cost-remaining-benefits method (the so-called green-book method), or by such other method mutually agreeable to the city of Eugene and the Secretary of the Army and approved by the Federal Power Commission. Thus, if this bill becomes law, the green-book method of cost allocation would be given legislative sanction. This method, which was recommended by the Federal Interagency River Basin Subcommittee on Benefits and Costs in its May, 1950 report, has been supported by the Commission in statements to the Bureau of the Budget and is considered to be a desirable method of cost allocation. It was used recently by the Commission in its order determining the interim allocation of costs of the McNary project (Docket No. E-6383), issued December 4, 1953.

The Commission recommends enactment of S. 2920 as an effective and desirable means of accomplishing joint Federal and non-Federal water-resource development consistent with the basic purpose of the Federal Power Act to provide for non-Federal development of such water resources wherever broad public benefits can be obtained in harmony with comprehensive water-development plans.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,

Hon. Edward Martin,
Chairman, Committee on Public Works,
United States Senate, Senate Office Building,
Washington 25, D. C.

MY DEAR MR. CHAIRMAN: This is in response to your letter of February 10, 1954, requesting the views of the Bureau of the Budget on S. 2920, a bill to provide for the construction, operation, and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie River, Oreg., with participation for power by the city of Eugene, Oreg.

Enactment of this bill would provide a basis for cooperative Federal and local participation in the development of water resources, and would thus be a step toward implementation of the policies of this administration which call for more local participation in this field. The Bureau of the Budget favors enactment of S. 2920.

Section 4 of the bill would provide that the allocation of cost of the project to power be made in accordance with the "separable cost remaining benefits" method of cost allocation or by such other method as may be mutually agreed upon by the city of Eugene and the Secretary of the Army and approved by the Federal Power Commission. Should this bill be enacted it would be the first time a particular method of allocating costs has been written into legislation authorizing a project. From the estimates of allocations understood to be proposed for this project it appears that an equitable distribution is contemplated. We are now reviewing the various methods used in making cost allocations on water resources projects for the purpose of attempting to devise a more uniform approach on the part of the various Federal agencies to this problem. Therefore, while we have no objection to section 4 of this particular bill, we would not wish this to be construed as an endorsement of the "separable cost remaining benefits" method for uniform application to future water-resources projects.

Sincerely yours,

Rowland Hughes, Director.
HON. GEORGE A. DONDERO,
House of Representatives, Washington 25, D. C.

MY DEAR MR. DONDERO: This is in response to your request of March 12
for our comments on H. R. 7815, a bill to provide for the construction, operation,
and maintenance of the Cougar Dam and Reservoir on the South Fork McKenzie
River, Oreg., with participation for power by the city of Eugene, Oreg.

We favor the enactment of this bill.

H. R. 7815 would provide for the construction, operation, and maintenance of
the Cougar Dam and Reservoir project under the direction of the Secretary of the
Army and supervision of the Chief of Engineers substantially in accordance with
the plans contained in House Document No. 531, 81st Congress, 2d session, modified
to include power facilities at Cougar Dam which may be provided by the
city of Eugene, Oreg., in accordance with the Federal Power Act and this bill.
The Corps of Engineers would operate the dam and reservoir as a unit of the com-
prehensive plan for the multiple-purpose control and utilization of the water
resources of the Willamette River Basin and would enter into an agreement with
the city insofar as such operation affects the development of power.

The bill provides that the power-generating facilities and appurtenances may be
constructed by the city of Eugene or by the Corps of Engineers as agent for the
city with funds advanced therefor by the city. Such construction would be in
accordance with the provisions of a license by the Federal Power Commission and
with the provisions of this bill.

The dam and reservoir would remain the property of the Federal Government,
while the city would own the power-generating facilities and appurtenances and
would operate and maintain them at its own cost and expense. The city would
pay to the Department of the Army such proportionate share of the cost of con-
struction, operation, and maintenance of the dam and reservoir as may be appro-
priately allocated to power development, in accordance with the "separable
costs-remaining benefits" method of cost allocation, or by such other method as
may be mutually agreed upon by the city of Eugene and the Secretary of the
Army and approved by the Federal Power Commission. The "separable costs-
remaining benefits" method of cost allocation specified in the bill is one of the
methods which has recently been adopted as acceptable by agreement of the
A statement on cost allocation, dated March 12, 1954, agreed to by these three
agencies, designates this method as preferable for general application.

This Department strongly supports the policy of encouraging non-Federal
agencies to construct and operate hydroelectric facilities in those instances where
they are willing and able to do so in a manner which will not interfere with the
reasonably full development of a river system for multiple purposes, and which
will be consistent with the best development of the natural resources of the area.
Every investment by non-Federal agencies in power-generating facilities helps
to increase the total power supply of an area. Such investments will be par-
ticularly helpful in the Pacific Northwest where there is an urgent need for addi-
tional generating capacity. The Cougar project offers an excellent opportunity
for cooperation and partnership between the Federal Government and a local
agency in expediting the maximum development of the water resources in the
Pacific Northwest. The plans set forth in House Document No. 531 provide for a
power installation of 25,000 kilowatts at Cougar Dam, although it is understood
that the city may propose modifications in the power installation plan.

It is important from the regional standpoint that the operation of the Cougar
project be so integrated with that of other plants in the region as to provide the
maximum flood control and power benefits. We believe that appropriate pro-
vision for such integration can be made in connection with the issuance of a license
for the project by the Federal Power Commission.

The following perfecting amendment is suggested: In line 3 on page 4 of the bill,
the word "for" should be changed to "by".

The Bureau of the Budget has advised that there is no objection to the sub-
mission of this report.

Sincerely yours,

DOUGLAS MCKAY,
Secretary of the Interior.