

CHAPTER 3
COST SHARING

3.1 Cost Allocation

In the 1972 report the U.S. Corps of Engineers suggested that Canada be allocated a part of the cost of the Pembilier Dam proportionate to its share of the total benefit from the project. The suggest cost allocation to Canada was \$237,400 annually over the 100 year life of the project. The question of cost sharing was discussed when the Review Committee met with representatives of the U.S. Corps of Engineers. It was agreed that the Corps would provide the Review Committee with a new cost allocation proposal based on the same cost sharing rationale used in their 1972 report, but using the revised estimate of Canadian benefits and incorporating the Canadian interest rate. The Corps subsequently presented a number of cost allocation proposals, each of which differed in the magnitude of benefits attributed to the United States depending upon whether national or both national and regional benefits were included. Using the Corps definition of national and regional benefits, the Review Committee's estimate of Canadian benefits must be considered an aggregate of national and regional benefits. Thus only the cost allocation proposal that included United States national and regional benefits was considered by the Review Committee.