PAYMENTS AND PRICES UNDER COLUMBIA RIVER ARRANGEMENTS

The payments to be made by the United States to Canada for power and flood control benefits, as set out in the Treaty and in related documents, can be expressed or evaluated in a number of ways. Thus, a cash payment made, say, in 1964, can be evaluated in terms of its equivalent value at some specific future date. Or a series of payments for power and flood control benefits can be translated into a price per kilowatt hour of power sold, and so on. The Governments of Canada and the United States, each concerned with evaluations and explanations for purposes of domestic comparison, have found it useful to present calculations of this kind. Since the bases used in such calculations were sometimes different in the two countries, the statistical results were different. It the same way, different figures have been used in Canada to express the monetary value of the payments receivable from the United States by Canada. The purpose of this note is to set out the various factors involved in evaluating the payments to be made under Columbia River arrangements, and to show how certain apparently conflicting evaluations can be reconciled.

Among the factors or assumptions involved in appraising the value of the payments are;

(a) The currency involved: United States or Canadian dollars;

(b) Present worth and the time factor;

(c) The appropriate interest rate to be used in making calculations under (b);

(d) The appropriate load factor to be used in calculations concerning power;

(e) The inclusion or exclusion of flood control payments in evaluating certain benefits.

The assumptions used in evaluating the payments to be received by Canada can be explained and illustrated as follows:

(a) <u>The currency involved</u>

Payments quoted in the Treaty documents in United States funds are converted for Canadian purposes into Canadian dollars at the rate \$1.00 (United States) being equal to \$1.08 (Canadian).