

STATEMENT BY MR. CHARLES LUCE,
ADMINISTRATOR OF THE BONNEVILLE POWER ADMINISTRATION
AND DR. HUGH L. KEENLEYSIDE,
CHAIRMAN OF BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

Mr. Charles Luce, Administrator of the Bonneville Power Administration and Dr. Hugh L. Keenleyside, Chairman of British Columbia Hydro and Power Authority joined in the release of the following statement:

"The Agreement that has now been reached is not based, primarily, on the sale by Canada of a certain number of kilowatt hours to the United States. The essence of the Agreement is the sale by Canada and the purchase by the United States Government and public utilities in the United States of a service -- the controlled flow of Columbia River water across the boundary in accordance with an agreed plan of operation.

Nevertheless the question has been and will be raised as to the price, in terms of mills per kilowatt hour, for this service.

There are two answers to this question.

From the standpoint of the United States the purchase of the downstream power and flood control benefits to which Canada is entitled in recompense for the service to be provided, is divided into two parts. The United States is paying \$64.4 million (U.S.) for the part of the service that is defined as flood control and public utilities in the United States are paying \$254.4 million (U.S.) for the part of the service that is credited against the generation of electricity.

Canada, on the other hand, considers the service as a single transaction for which it will receive a lump sum payment of \$274.8 million (Can.), on 1 October 1964, and the remaining \$69.6 million (Can.) at the time when the projects come into operation, that is 1968, 1969 and 1973.

In order to define a figure in mills/KWH Canada will divide the total proceeds thus received together with interest at 4 1/2% by the number of kilowatt hours estimated to be in the Canadian entitlement over the 30-year period of sale.

There are different views as to the amounts of power in the Canadian entitlement to downstream benefits. As there is no way of working out in advance the exact amounts of power, the two sides have both agreed to accept for computation purposes a compromise figure. On this basis the value received by Canada for the downstream energy will be equivalent to 5.3 mills/KWH in Canadian currency.

On the same basis of computation but, as indicated, omitting the flood control payments and without the exchange differential, the U.S. cost of electrical energy at 60% load factor, delivered at the generators, will be equivalent to 3.75 mills/KWH in United States currency."