

generation in the U. S. to the boundary near Oliver, B. C. In this connection you will find Mr. Udall's remarks (U.S. Senate Committee, 8 March 1961, PP 25 and 26) of interest. Article X also means that until Canada enters an inter-connection agreement, whatever its terms, Canada will have to continue to pay some \$1.8 million a year or more, for an idle privilege or the occasional use of a U. S. transmission line. It seems we can only eliminate these payments if the U. S. consents and you may expect the cost of this consent to be heavy.

The phraseology of Article X is exceedingly adroit. "Downstream benefits to which Canada is entitled" would seem to mean the amount before the surplus Canadian share of capacity is exchanged for energy, and this would add materially to the cost of the standby service to Canada.

I think probably the more important objective sought by the U. S. in this Article is as a deterrent to any Canadian claim being put forward for a share of increased downstream benefit capacity when the U. S. requirement for regulation of flow changes from firm power to peaking or the equivalent. In the light of this consideration, I expect that Article X, if it remains in the Treaty, will make it very difficult to obtain, subsequently, an inter-connection agreement which will be free of serious adverse effect on Canadian interests.

Therefore, I think it important that the anxieties expressed by Montreal Engineering as well as by myself should result in a prompt rejection of Article X.

2. In a footnote on Page 24 and re-emphasized on Page 25, Montreal Engineering asserts that the criteria of operation of the Canadian storages prescribed in Annex A Para (7) will result in Canadian output less than might otherwise be obtained and points out that no study has yet been made to determine the net result. Here is a report commissioned by the Government of Canada and you have been warned that no study has yet been made to determine the net result of the operation of Mica for system benefits when this plant is machined. I pose this question! How do you justify the repeated assurances that have been made that Canada's interests will be adequately protected by this Treaty?

I have pointed out repeatedly the very serious danger to Canada in this situation and in this connection I would refer you particularly to my address to the Engineering Institute of Canada in Montreal on 15 June 1962. I will refer to this further in my comment on your Para 8.

3. On Pages 2, 19, and 25, Montreal Engineering refers to the declining downstream benefits to firm power (note that the arrangement does not provide the half share of the gain in the United States which was specified in the IJC Principles). I recall also that the Treaty gives no specific assurance as to the amount or the continuance of these benefits.

I have already expressed both directly and indirectly my own criticism on the afore-mentioned three points and I refer you to my CI of IA article and to my statement to the EIC on 13 June 1963 and published by the Institute in Criticism of the paper by Mr. McMordie, General Manager of the B. C. Power Commission.

In regard to your Para 5, may I recall again that not even one of the reports mentioned in your earlier paragraphs which I have seen, contains any comparison between the Treaty projects and the Dorr Plan (Seq IXa), and the same is true for the Montreal Engineering Report of May 1961, which you do Not mention. As to the Gibb and Merz and McLellan Report, to which you refer later, this report is specifically confined to the Treaty projects by the terms of reference. These projects are as developed in the Copper Creek plan in the ICREB Report.

I am aware also that engineers in the Department of NA and NR have opposed the Dorr plan and that they have resisted warnings given by Montreal Engineering. They have even complained to Montreal Engineering "that the views of technical advisers during the negotiations are not supported in your report".