

Reducing this figure to a value per kilowatt hour, as in the previous example, the result is 4.33 mills per kilowatt hour.

Returning to the United States figure of 4.05 mills (Can.) or 3.75 mills (U.S.) for 60 per cent load factor power, it is clear that this calculation does not take into account the additional capacity that is required to permit the energy belonging to Canada under the Treaty to be drawn on the 48 per cent load factor basis to which we are entitled on the average over the term of the sale. To cover that extra amount of capacity, as the above calculations show, the United States purchaser has agreed to make a payment that is the equivalent, not of \$35.50 (4.05 mills per kilowatt hour) but \$37.94 or 4.33 mills per kilowatt hour (in Canadian funds).

While the examples have been worked out at 48 per cent load factor, the actual value of power sold year by year under the sales agreement comes to 4.36 mills per kilowatt hour, the difference being due to the "rounding" required in the specific examples employed.

In brief, .31 mills per kilowatt hour (4.36 minus 4.05) has to be added to adjust for the load factor difference.

Add Flood Control Payments: The payments Canada will receive for flood control operation, when included with the payments for power, increase the evaluation of the price for power by about 0.91 mills per kilowatt hour.

The total value to Canada can therefore be expressed as 5.3 mills (Can.) per kilowatt hour. (4.05 mills + .31 + .91 = 5.27 mills)

#### Values and Costs at Points of Time

To look at a different aspect of the complex problem of stating figures in a meaningful way, the "time factor" is relevant in arriving at the "present worth" of energy sold at 5.3 mills (Can.) per kwh over 30 years at the rates at which it is estimated that it will be produced, year by year, during that period. As has been indicated above, the discount rate that is reasonable for the "customer" in the United States to apply is 4 1/2 per cent (the long-term interest rate that is reasonably available). If the downstream benefit energy which is sold year by year to the United States is evaluated at 5.3 mills per kwh and these annual values are then discounted at 4 1/2 per cent to a single value on 1 October 1964, the single value is equal to the sum of:

- (1) the \$274.8 million (Can.) payment which will be made for power on that date, plus
- (2) the discounted value of the \$69.6 million (Can.) payment for flood control that is to be made in three parts as storages are