

Ottawa, Ontario,
November 21, 1963.

General A. G. L. McNaughton,
393 Fernbank Road,
Rockcliffe Park,
Ottawa, Ontario.

Dear General McNaughton:

I wish to thank you for your letter of the 31st of October and your further comments on the Columbia River Treaty. I believe that the exchanges of views which we have had over the past months have been of considerable value in placing the Treaty and the arguments concerning it in their proper perspective. One example perhaps is the question of the Treaty flood control and the cost to the United States of providing similar control by projects of their own. We seem agreed now that an expenditure within the United States of some \$710 million will provide not only flood control but also power and other benefits. The exact portion of this expense which is properly chargeable to flood control is of course debatable, but the very substantial power benefits which the United States would obtain from almost 10 million acre-feet of storage and at-site generating potential of over 1.2 million kilowatts would be capable of carrying a major portion of the costs. As I noted in my last letter, one of the projects making up the \$710 million expenditure is already under construction in the United States and therefore the cost of their alternative to the Treaty would now be less than \$600 million. With two further projects under serious consideration it is apparent that the incremental cost of their unilateral plan could be very substantially reduced within the next year.

I have noted with considerable interest your comment on the report of the International Columbia River Engineering Board and agree that the limitations of that report necessitate extreme care in its use. However, the problem of interest rates which you have noted would not alter the conclusion reached on page 102 of the report that a plan of limited diversion produces the least costly increment of power in Canada. In fact, a higher interest rate would have the greatest detrimental effect on the plan of development requiring the largest capital investment which in the ICREB report was the maximum diversion plan.

You advocate in your letter the adoption of the principles of proper economic selection. It is on the basis of these principles that I find it very difficult to justify the proposal for the flooding of the East Kootenay Valley. The incremental energy benefits do not seem to support the acceptance of the incremental costs, particularly when compared to a proposal for limited diversion at Canal Flats. The question therefore remains: are we to strive to obtain this last increment of Columbia River energy in spite of its cost when the owner of the resource is unwilling to do so and the incentive for the United States to provide the essential cooperation is considerably less now than it was three years ago? At that time the record indicates they were only willing to accept the Canadian East Kootenay dams into a cooperative Treaty at terms which were, and still would be, completely unacceptable to Canada. It would appear that the only argument at this time for the East Kootenay projects is one of retaining control of the Kootenay River water, and even that argument is countered by the rights given Canada under the Treaty to make diversions in 20, 60 and 80 years time which will achieve the same extent of diversion and degree of control which you now seek.

Of particular interest to me are your comments on the possibility of the United States diverting water from the Kootenai River before it re-enters Canada and transporting this water to meet consumptive needs as far south as California. Aside altogether from the economics of such a plan, the project would have to be undertaken by the United States with the full knowledge that the Columbia River Treaty gives Canada the right within 80 years time to divert all but 1000 cfs of the Kootenay River in Canada and