

**THE CONFEDERATED SALISH AND KOOTENAI TRIBES
OF THE FLATHEAD NATION**

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Mark Walker
Director of Public Affairs
Northwest Power & Conservation Council
851 SW 6th Avenue, Suite 1100
Portland, Oregon 97204-1348

October 3, 2006

Dear Mr. Walker:

The Confederated Salish and Kootenai Tribes would like to thank the Council for forwarding our projects to BPA for funding in 2007 through 2009. The Tribes and our partner agencies have a long history of successfully mitigating for the impacts of Hungry Horse Dam, and we will continue to do an effective job in the coming rate case.

The Tribes would like to comment to Council regarding the recommended budget in fiscal years 2007 and 2008 for ongoing project #199101901. This project was one of five other projects that received the highest score when ranked by the Provincial Oversight Group. The reduction in budget of \$35,000 and \$70,000, respectively, will profoundly affect what this program is able to accomplish. Like many other projects in the basin, the budget for project 199101901 has been "capped" at approximately \$143,000 since 2002, which has not permitted the Tribes to adjust for inflation and has restricted our ability to implement on-the-ground habitat projects and leverage cost-share opportunities. The Tribes requested a small increase for FY07 to meet the rising costs associated with implementing the project. We consider this to be a small and very stream-lined project, and the Council's recommended budget of \$139,000 in FY07, less than that of previous years, will reduce it to a scale that is impractical and insufficient to address the range of objectives we have identified.

As described in the project proposal, the budget increases submitted for project 199101901 in FY08 and FY09 are associated with the need to conduct restoration and maintenance activities on properties acquired under Secure and Restore Critical Fisheries Habitat (200200300). The Tribes submitted these costs in both projects 199101901 and

200200300 because we were unsure at the time whether BPA would allow them to be capitalized. Since then, we have learned that restoration and O&M can not be capitalized, so these costs should stay as a component of 199101901, and the project should be fully funded at the requested FY08 level of \$408,000. If project 199101901 is not funded at the requested level but at the level recommended by the NPCC, we would need to submit a separate expense budget associated with project 200200300 to insure we are able to conduct the necessary activities on acquired lands. If the budget of project 199101901 is restored to full funding as recommended by the Provincial Oversight Group, then project 200200300 can be reduced by that amount, eliminating the need for an associated expense budget.

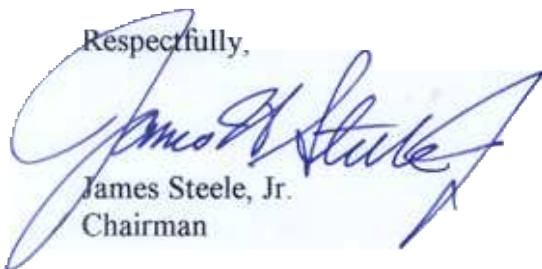
It is important to keep in mind that Project 200200300 is a joint budget submitted with MFWP. That agency also submitted the same budget as CSKT within projects 199101903 and 200200300 (i.e., CSKT & MFWP submitted duplicative budget requests for restoration & O&M costs). The budget recommendation for project 199101903 includes the State's costs to conduct restoration and maintenance activities on lands that the State acquires, and thus project 200200300 can be reduced by that amount.

We strongly encourage the NPCC to reconsider their budget recommendation for FY07 and FY08 for project 199101901. The Provincial Oversight Group delivered a balanced budget for the NPCC's consideration. The reductions to this project appear to allow for funding the completion of subbasin plans in the Bitterroot and Blackfoot drainages. The Provincial Group did not review these subbasin planning projects due to the fact that there was no subbasin plans to weigh the projects against, as in the rest of the region. Further, we question the diversion of implementation dollars from an ongoing project to an area with no Federal hydropower development for the development of subbasin plans, for which there was a large and previously ear-marked budget.

It is critical to the Hungry Horse mitigation program that the CSKT receive both the \$174,000 requested in FY07 and the \$408,000 requested in FY08 so that we can successfully mitigate for the impacts of a Federally operated facility.

Thank you for your time and consideration. Please don't hesitate to call Lynn DuCharme at 406-883-2888, ext. 7279 if you have any questions.

Respectfully,



James Steele, Jr.
Chairman