

Northwest Power and Conservation Council

FISCAL YEAR 2008 BUDGET AND FISCAL YEAR 2007 REVISIONS

July 2006

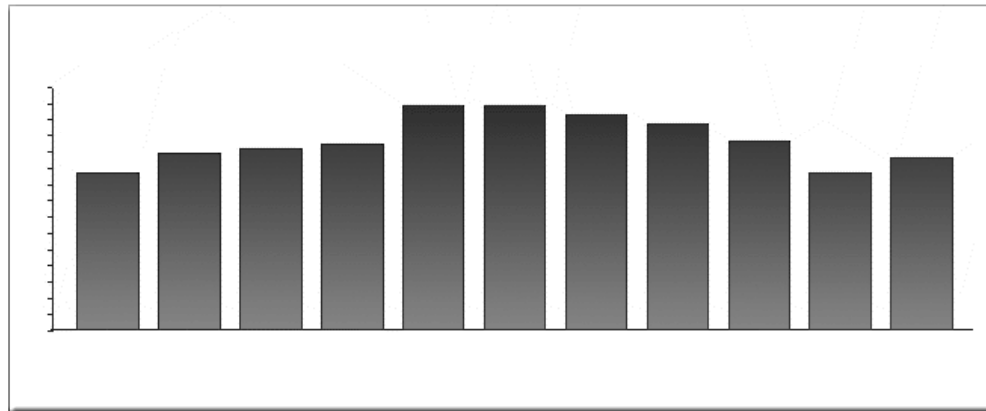


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A. MISSION AND GOALS STATEMENT

(The Council's mission and goals are derived from Public Law 96-501,
The Pacific Northwest Electric Power Planning and Conservation Act of 1980)

MISSION

To balance protection of two vital Northwest resources:
affordable electricity and **healthy fish and wildlife
populations**.

GOALS

- To provide leadership in developing policies for regional electric power and fish and wildlife issues.
- To develop a plan to ensure an adequate, efficient, economical, reliable and environmentally sound power supply while mitigating the effects of the hydroelectric system on the Columbia River and its tributaries by protecting and enhancing fish and wildlife.
- To encourage development and use of cost-effective conservation and renewable resources in the region.
- To encourage cooperation, balance the needs of competing interests and ensure protection of the public interest by providing an accountable, open and fair decision-making process.

B. STABILIZING LONG-TERM FUNDING

BUDGET HISTORY

I. COUNCIL FUNDING BACKGROUND

The Northwest Power Act, as passed by Congress in 1980, establishes a funding mechanism to enable the Council to carry out its functions and responsibilities. The Bonneville Power Administration provides this funding through ratepayer revenues. The Act establishes a formula to determine a funding limitation threshold, and authorizes the Council to determine its organization, and prescribe practices and procedures to carry out its functions and responsibilities under the Act.

The Act further provides that the funding limitation applicable to annual Council budgets will be calculated on a basis of .02 mill multiplied by the kilowatt hours of firm power forecast to be sold by the Bonneville administrator during the year to be funded. The limitation may be increased to .10 mill, provided the Council makes an annual showing that such limitation will not permit the Council to carry out its functions and responsibilities under the Act.

The basis of the funding methodology (firm power forecast to be sold) embraces authorities set forth in other sections of the Act that describe the Congressional expectation that Bonneville will serve all anticipated load growth for the region in the future. As such, the Act authorizes Bonneville to supply all of the incremental electricity

needed in the future for the region, if so desired by its customers and others.

II. FISCAL YEAR 2008

The Council has determined that the 0.02-mill limitation will not allow the Council to carry out its functions and responsibilities under the Power Act in Fiscal Year 2008. As detailed in Appendix C of this report, the Council determined that an amount equal to 0.097 mill, which totals \$9,276,000, will be required in Fiscal Year 2008.

III. FUNDING METHODOLOGY — NO LONGER WORKABLE

In 2006, 26 years after Congress passed the Power Act, it is clear that the law, while visionary with respect to future power supplies and mitigation of hydropower impacts on Columbia River Basin fish and wildlife, did not foresee, and could not have foreseen, changes that have occurred in the electric utility industry and with regard to fish and wildlife recovery in the Northwest. These changes affected Bonneville's firm-power sales -- and therefore calculation of the Council's budget -- and also resulted in increased responsibilities for the Council. The changes include:

- Bonneville load growth projections have not materialized as anticipated. Regional energy sales have increased by approximately 4,800 average megawatts since 1980. Of this increase, Bonneville's firm sales might have

increased by nearly 2,800 average megawatts had Bonneville met the region's incremental load growth as envisioned by Congress in the Act.

-Because conservation is a resource under the Act, it could be argued that the conservation that has been achieved by Bonneville and its customers should be considered in Bonneville's firm power sales (880 average megawatts).

-In addition to cost-effective conservation, changes in dam operations to improve fish passage have diminished power generation capability by approximately 935 average megawatts of potential firm sales.

-It cannot be determined from the legislative history of the Act whether Congress intended the .10 mill funding limitation to be in constant dollars. If this were the case, inflation would have to be added each year to get the nominal funding limitation. The limitation in nominal dollars for 2005 would be about .20 mills, thereby providing an offset to the firm sales anomalies that have occurred over time.

-Approximately 60 percent of the Council's budget now supports planning and implementation of the Council's fish and wildlife program, compared to about 15 percent in 1982. Much of the Council's added fish and wildlife workload stems from the 1996 amendment to the Act that emphasized independent science review and the application of cost-effectiveness principles when recommending fish and wildlife projects for funding. Basing the Council's funding methodology only on the forecast sales of firm power ignores the new responsibilities related to fish and wildlife recovery that the Council must now budget.

The realities described above illustrate why it has been necessary for the Council to absorb nearly 75 percent in inflation costs from 1982 to 2004. The Council also has

attempted to manage and accommodate growing workloads under its fish and wildlife responsibilities during this same period. These constraints, along with an outdated funding formula, have made it increasingly difficult for the Council to carry out its full responsibilities under the Act.

IV. ANNUAL BASELINE BUDGETS

Since 1997, the Council has responded to the circumstances that have flawed the funding methodology of the Act by negotiating annual budget ceilings with Bonneville that cover specific Bonneville rate periods. These negotiated agreements incorporate various budgetary constraints such as:

- a. Current-level service budgets from the preceding budget period.
- b. Restrictive cost-of-living adjustments for personal services expenditures.
- c. Cost-cutting actions to cushion the impact of inflation.
- d. Program improvements individually cost-justified.

By applying these budgeting principles on an annual basis, the Council has been able to successfully confine budget growth to less than 3 percent per year over the last nine years (1998-2007).

The Council entered into a funding agreement with Bonneville for the 2007 - 2009 rate period. The Council's draft budgets for these years incorporate the same budget principles described above. The projected budget growth for the next rate period does not exceed 3 percent per year on average.

V. BUDGET VERSUS ACTUAL EXPENDITURE CONSIDERATIONS

The Council attempts to project workloads and resource requirements two years in advance with some opportunity for budget revisions occurring prior to the beginning of each fiscal year.

During each annual budget cycle the Council:

- a. Manages overall expenditures to the most cost-effective level.
- b. Conserves unanticipated cost savings in a prudent manner.
- c. Reprioritizes the allocation of funding and staff resources to accommodate new workloads and unanticipated responsibilities.

Actual expenditures in one budget year may not necessarily be reliable indicators of funding requirements in future budget cycles because:

- a. Changes in Council workloads, programs, and responsibilities are difficult to anticipate and are often initiated by external events in the region or by requests from the Congressional delegation or the states' governors.
- b. Programs and activities that are budgeted but deferred because of new and emerging higher priorities are often re-budgeted in succeeding years because of their continued need and importance.

VI. FISCAL YEARS 2007 - 2009 DRAFT BUDGETS

The Council's draft budget reflects the proposed budget for Fiscal Year 2008 and the recommended revisions to the Fiscal Year 2007 budget. In addition, the draft budget contains the out-year budget projection for fiscal years

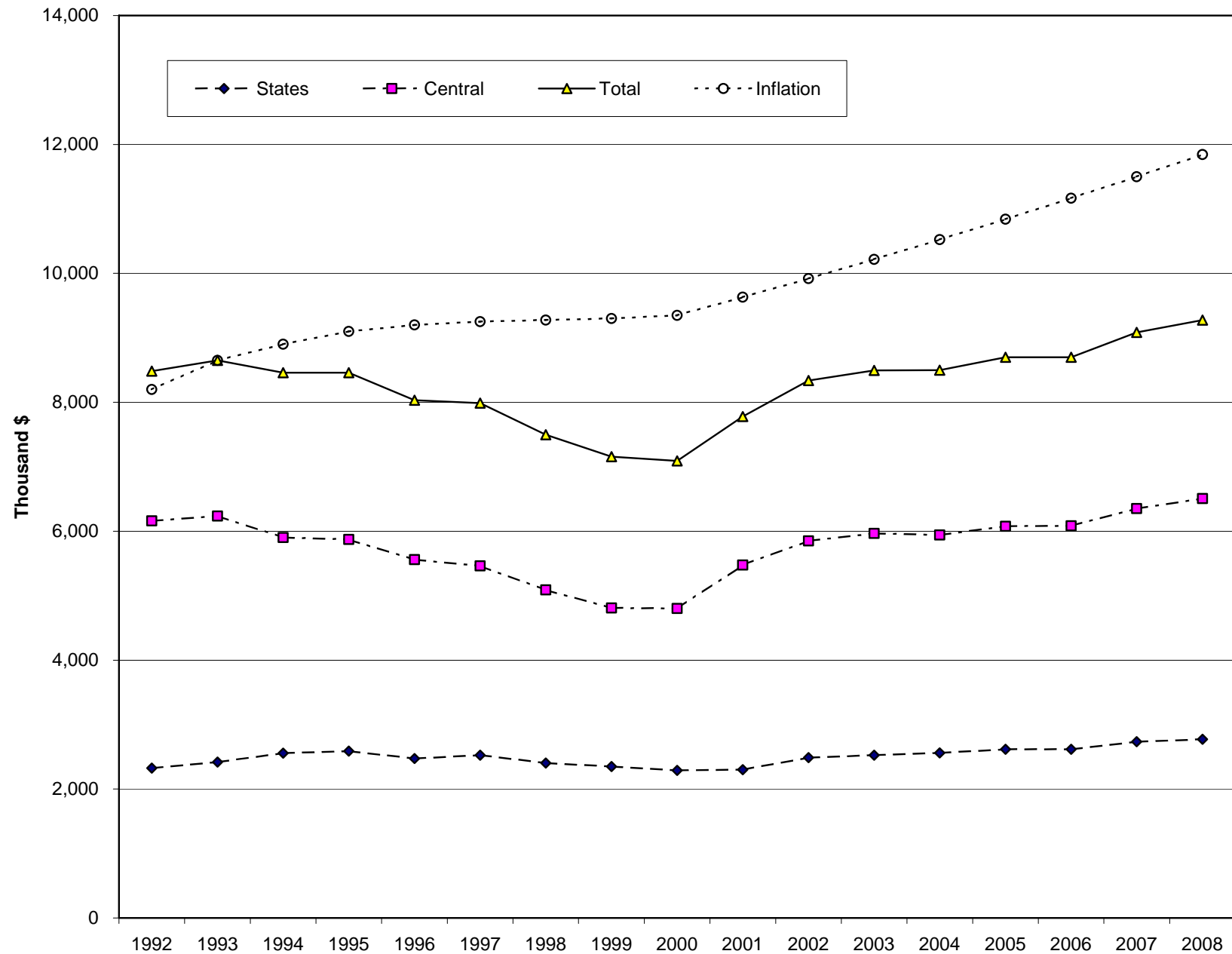
2009 and 2010. The Council is committed to carrying out its current responsibilities and workloads within these projected funding levels.

A summary of the draft budgets for the next Bonneville rate period are shown in the table that follows. These projections show an average annual growth over the three-year rate period, 2007 - 2009, of approximately 3 percent per year. This reflects current-level service based on the fiscal year 2006-revised budget.

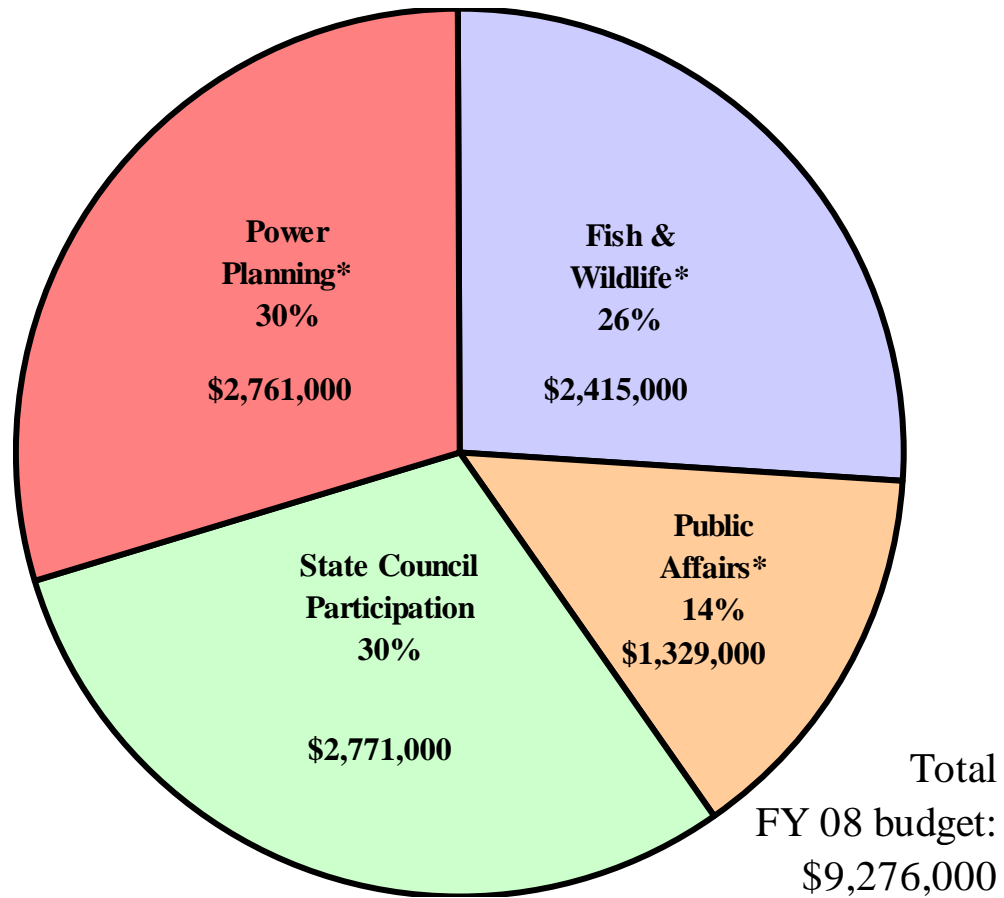
Fiscal Year 2006	\$8,700,000
Fiscal Year 2007	\$9,085,000 (4.4 percent)
Fiscal Year 2008	\$9,276,000 (2.1 percent)
Fiscal Year 2009	\$9,467,000 (2.1 percent)

The Council showing, required by the Act, for Fiscal Year 2008 is contained in Appendix C.

Budget History (Figure 1)



Budget by Function (Figure 2)



* Includes central office administration burden for executive management, as well as legal, fiscal and administrative services.

FISCAL YEAR 2007/FISCAL YEAR 2008 BUDGET STRATEGY

The Council continues to be conscious of the need for healthy financial conditions for the Bonneville Power Administration. In an effort to be responsive, the Council in Fiscal Year 2007 and Fiscal Year 2008 will maintain similar budget constraints to those initiated in 1998.

To accomplish this, the Council will:

1. Continue to identify efficiencies in operations and administration in order to limit inflationary increases to an average of 3 percent during the next rate case period fiscal years 2007-2009.
2. Reallocate staffing where possible to absorb new workload without increasing FTEs.
3. Re-prioritize resources as necessary to respond to new requests for technical analysis. Reschedule or postpone work anticipated during the budget-development process in order to respond to the most essential requests for studies and analyses.

PROPOSED BUDGET REQUESTS

Fiscal Year 2008 Budget

Based on the major issues and levels of effort discussed on the preceding pages and described in more detail in other sections of this document, the Council has determined that

the proposed budget expenditures are necessary and appropriate for the performance of its functions and responsibilities as authorized by the Northwest Power Act, Section 4(c)(10)(A). The Council further has determined that the 0.02 mill per kilowatt-hour limitation on expenses will not permit the Council to carry out its functions and responsibilities under the Act, Section 4(c)(10)(A). (See Appendix C for a detailed description of the Council's showing under the Act.) The Council proposes that the projected budget in the amount of \$9,276,000 for Fiscal Year 2008, equal to 0.97 mills per kilowatt-hour for the estimate of forecasted firm power sales, be included in the Bonneville administrator's Fiscal Year 2008 budget submittal.

Fiscal Year 2007 Budget Revisions

The Council's Fiscal Year 2007 revised budget remains the same as the previously submitted Fiscal Year 2007 budget request of \$9,085,000. The Council's budget for Fiscal Year 2008 and Revised Fiscal Year 2007 is based on current-year expenditure levels plus adjustments for shifting workloads, certain program improvements, and cost-of-living adjustment factors as provided by the U.S. Department of Energy (Bonneville) and the Oregon Economic and Revenue Forecast. A number of cost-containment measures for personal services, travel, contracts, and services and supplies have been incorporated in the budget.

Budget/Expenditure Summary (Table 1)
(000's omitted)

	FY05	FY05	FY06	FY06	FY07	FY07	FY08	FY09	FY10	FY11	FY12
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Budget</u>	<u>Revised</u>	<u>Budget</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>
Expenditures:											
Personal Services*	\$4,502	\$4,399	\$4,709	\$4,553	\$4,928	\$4,762	\$4,916	\$5,048	\$5,176	\$5,332	\$5,490
Travel	190	152	196	207	196	\$212	222	223	223	223	223
Contracts	403	256	303	303	348	\$382	379	372	359	359	359
Other Operating Expenses	<u>982</u>	<u>1,083</u>	<u>876</u>	<u>968</u>	<u>898</u>	<u>\$994</u>	<u>988</u>	<u>991</u>	<u>1,005</u>	<u>1,021</u>	<u>1,032</u>
 SUBTOTAL	 \$6,077	 \$5,890	 \$6,084	 \$6,031	 \$6,370	 \$6,350	 \$6,505	 \$6,634	 \$6,763	 \$6,935	 \$7,105
 State Budgets	 <u>2,616</u>	 <u>2,490</u>	 <u>2,616</u>	 <u>2,616</u>	 <u>2,715</u>	 <u>\$2,735</u>	 <u>2,771</u>	 <u>2,833</u>	 <u>2,884</u>	 <u>2,958</u>	 <u>3,021</u>
 TOTAL	 <u>\$8,692</u>	 <u>\$8,380</u>	 <u>\$8,700</u>	 <u>\$8,647</u>	 <u>\$9,085</u>	 <u>\$9,085</u>	 <u>\$9,276</u>	 <u>\$9,467</u>	 <u>\$9,646</u>	 <u>\$9,893</u>	 <u>\$10,126</u>

* Authorized positions represent full staffing. Underutilization of authorized positions can occur during the fiscal year and result in an under-expenditure in the personal services budget. Also, costs associated with payroll taxes, insurance and benefits can be different than budget projections because of staffing changes and inflationary effects. Some positions are filled on a part-time basis.

FY 2007 Revised Program Forecast (Table 2)
(000's omitted)

	Power Planning	Fish & Wildlife	Public Affairs	Legal	Admin	Total
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Compensation	\$1,021	\$863	\$486	\$348	\$683	\$3,401
Other Payroll Expenses	408	345	194	140	274	1,361
Travel	50	71	41	20	30	212
Contracts	156	188	0	8	30	382
Other Operating Expenses	<hr/> 60	<hr/> 8	<hr/> 97	<hr/> 7	<hr/> 822	<hr/> 994
SUBTOTAL	\$1,695	\$1,475	\$818	\$523	\$1,839	\$6,350
State Budgets:	<u>(000's)</u>					
Idaho	\$668					
Montana	661					
Oregon	674					
Washington	<hr/> 732					
SUBTOTAL	\$2,735					<hr/> 2,735
TOTAL						<hr/> \$9,085

FY 2008 Program Forecast (Table 3)
(000's omitted)

	<u>Power Planning</u>	<u>Fish & Wildlife</u>	<u>Public Affairs</u>	<u>Legal</u>	<u>Admin</u>	<u>Total</u>
Compensation	\$1,054	\$887	\$499	\$354	\$718	\$3,512
Other Payroll Expenses	422	355	199	141	287	1,404
Travel	50	81	41	20	30	222
Contracts	156	185	0	8	30	379
Other Operating Expenses	<u>51</u>	<u>8</u>	<u>95</u>	<u>7</u>	<u>827</u>	<u>988</u>
SUBTOTAL	\$1,733	\$1,516	\$834	\$530	\$1,892	\$6,505
State Budgets:	<u>(000's)</u>					
Idaho	\$675					
Montana	\$674					
Oregon	\$683					
Washington	<u>\$739</u>					
SUBTOTAL	\$2,771					<u>\$2,771</u>
TOTAL						<u>\$9,276</u>

C. INTRODUCTION

BACKGROUND

The Northwest Power and Conservation Council was created by Congress in 1980 through the Pacific Northwest Electric Power Planning and Conservation Act and held its first meeting on April 28, 1981. The Council is an interstate compact agency of Idaho, Montana, Oregon, and Washington, not an agency of the U.S. government. (Section 4 (a)(2)(A)).

The principal duties of the Council under the Northwest Power Act are to: 1) develop a regional power plan to assure the Northwest an adequate, efficient, economical and reliable power; 2) develop a fish and wildlife program to protect, mitigate and enhance fish and wildlife affected by hydroelectric development in the Columbia River Basin and make annual funding recommendations to the Bonneville Power Administration for projects to implement the program; and 3) provide for broad public participation in these processes and inform the public about regional energy and fish and wildlife issues (Sections 2(1)(A) and (B), (3), (3)(A)). Bonneville, Bureau of Reclamation, Corps of Engineers, and Federal Energy Regulatory Commission are the principal agencies charged with implementing the fish and wildlife program (Sections 4(h)(10), (11)(A)). Bonneville implements the Council's conservation and electric power plan (Sections 4(d)(2), 6(b)(1)).

Funding for the Council is provided by Bonneville, a self-financing federal agency, not by the Federal Treasury or by any state government in the region. The Northwest Power Act directs that expenses of the Council (subject to certain limits described in Appendix C of this report) shall be paid from funds available to the Bonneville administrator and shall be included in Bonneville's annual budget submitted to Congress pursuant to the Federal Columbia River Transmission System Act (Section 4(c)(10)(A)).

The goals of the Power Act – assuring an adequate, efficient, economical, and reliable power supply; encouraging conservation and renewable resources; and protecting, mitigating, and enhancing the fish and wildlife resources of the Columbia River Basin – are of vital importance to the social and economic welfare of the Northwest.

COUNCIL RESPONSIBILITIES

Northwest Conservation and Electric Power Plan

The Power Act directs the Council to develop and periodically amend a plan to ensure the Pacific Northwest of an adequate, efficient, economical and reliable electric power supply (Section 4(d)). The Council adopted the first version of its Northwest Power Plan in 1983 and amended the plan in 1986, 1989, 1991, 1996, 1998, and 2004.

At the time Congress passed the Power Act, wholesale electricity sales were regulated. Since the mid-1990s, however, wholesale power has been sold competitively. While federal law changed the nature of electricity sales, the Power Act goals of assuring reliable and affordable electricity remain an important focus and responsibility of the Council's regional power planning. The Council continues its efforts to accomplish the goals of the Northwest Power Act in ways that are consistent with the changing electricity market. .

The 2004 revision of the power plan, called the Fifth Northwest Power Plan, focuses on maintaining the adequacy and reliability of the power system within the current market structure, balancing the interactions between fish and power, and ensuring appropriate levels of resource diversity and risk management. To reach these goals, the Council views its power planning responsibilities to include, in addition to preparing and periodically amending the power plan:

1. Promoting Conservation and Renewable

Resources. Working with regional interests to devise ways of providing guidance in meeting the region's conservation and renewable resource goals, and working with the Regional Technical Forum to track regional progress.

2. Analyzing the Wholesale Electricity Market.

Providing information, evaluation, and analysis of the evolving wholesale electricity marketplace to promote full, fair, and effective competition throughout the region.

3. Analyzing the Power System. Providing valuable, high-quality, and timely analyses of the interactions

between fish and the electric power system, including enhanced analytical models that more accurately capture the effects of changes in the operation and configuration of the hydroelectric system, and energy system reliability.

Columbia River Basin Fish and Wildlife Program

The Power Act (Section 4(h)) directs the Council to develop, adopt, and periodically amend a program to protect, mitigate, and enhance fish and wildlife affected by the development and operation of hydroelectric projects in the Columbia River Basin and also ; review Bonneville's progress in implementing the program (Sections 4(h and-i)). In addition, the Council monitors the efforts of the Corps of Engineers, Bureau of Reclamation, and Federal Energy Regulatory Commission to take into consideration the fish and wildlife program in decision-making.

The Council adopted its first Columbia River Basin Fish and Wildlife Program in November 1982. The Council amended the program in 1984, 1987, 1992, and 1994/95. The Council last revised the program in December 2000 (all but the section addressing mainstem Columbia and Snake river mainstem operations) and April 2003 (the mainstem section). The program incorporates a basinwide vision, biological objectives, strategies, and a scientific framework in a unified plan for fish and wildlife recovery.

With the assistance of the Independent Scientific Review Panel, the Council also reviews and makes recommendations concerning projects proposed for funding by Bonneville to implement the fish and wildlife program.

The 2000 revision included a multi-species approach for decisionmaking, and the 2003 mainstem amendments included a plan for the operation of the federal hydrosystem. An initiative to develop subbasin plans throughout the Columbia Basin began in 2003. Those plans, adopted in 2004 and 2005, will help define the environmental and biological goals specific to fish and wildlife within the basin. In addition to preparing the fish and wildlife program, the Council views its fish and wildlife planning responsibilities to include:

1. Utilizing Best Available Scientific Information.

Through two panels of independent scientists, ensuring that the best available science is applied in the development of regional fish and wildlife recovery measures.

2. Economic Analysis. Through the Independent Economic Analysis Board, bringing more rigorous economic analysis to the development and evaluation of fish and wildlife measures.

Public Involvement

The Power Act requires the Council to develop and maintain comprehensive programs to inform the public of major regional power and fish and wildlife issues, and obtain feedback from the public, Bonneville, Bonneville's customers, fish and wildlife agencies, Indian tribes, and others for consideration in its decision-making (Section 4(g)). The Council also is required to report to Congress annually on actions taken to implement the Power Act (Section 4(h)). In addition to these activities, the Council views its public involvement responsibilities to include:

1. Encouraging Regional Cooperation. Fostering regional cooperation and coordination on activities that support the goals of the Power Act.

2. Educating the public about the Council's decision-making and involving the public in those processes. The Public Affairs Division arranges public meetings and public hearings, arranges for transcription of these meetings when necessary to create a legal record of proceedings, distributes information about decision-making processes, receives comments from the public and distributes them to the Council members, staff, and the public, and performs other duties to ensure public participation in decision-making.

D. ORGANIZATION FUNCTIONS

COUNCIL ORGANIZATION

The governors of Idaho, Montana, Oregon, and Washington each appoint two members to the Northwest Power and Conservation Council. The eight-member Council sets policy and provides overall leadership for Council activities.

The Council's work is performed, depending on the tasks, by the Council's professional staff (including staff in a central office and in each state), consultants under contract, or by public agencies and Indian tribes under intergovernmental agreements. The Council's executive director is responsible for coordinating with the eight member Council, supervising the central office staff, administering the contracts, and overseeing the day-to-day operations of the Council. The Council approves major contracts and the overall work plan.

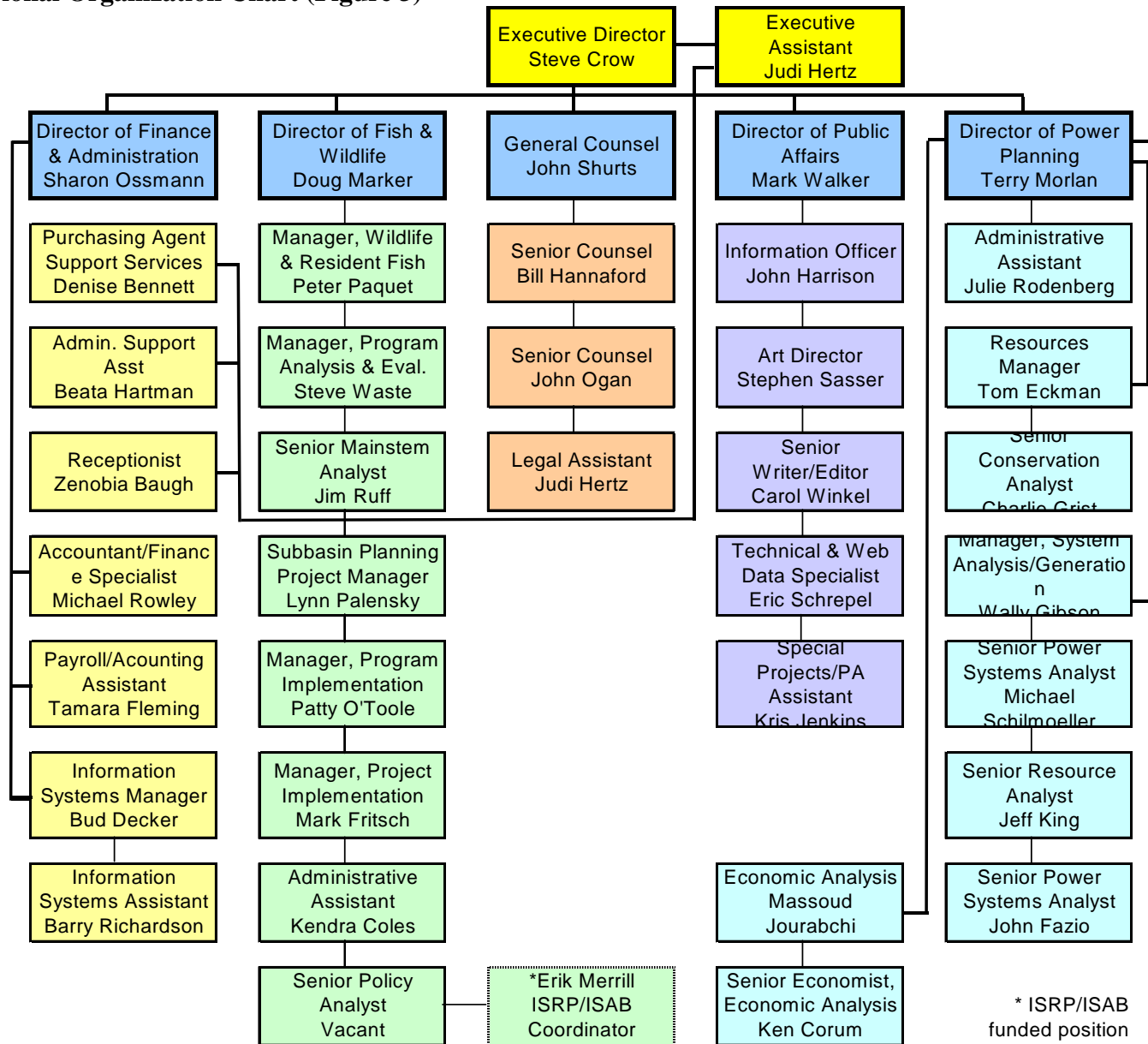
STATE OFFICE ORGANIZATION

Professional staff in each state provide technical review and assistance to Council members in evaluating matters before the Council. State staffs also participate in designing and developing public involvement programs that focus on the implementation of the power plan and fish and wildlife program in their particular states. This support is provided through existing state agencies or by individuals directly under Council member direction.

CENTRAL OFFICE ORGANIZATION

The central staff, under the leadership of the executive director, has been organized into five divisions: Power; Fish and Wildlife; Public Affairs; Legal; and Administrative.

Divisional Organization Chart (Figure 3)



E. POWER DIVISION

The efforts of the Power Division in Fiscal Year 2007 and Fiscal Year 2008 will be focused on the implementation of the Council's Fifth Power Plan, the process of defining the Bonneville Power Administration's future role in power supply, and contributing to the successful resolution of the many important electricity policy issues facing the region and the West. The Fifth Power Plan was driven by many of the issues affecting the power supply and price situation of 2000-2001. They include the difficulty of maintaining the adequacy and reliability of the power system within the current market structure, the interactions between fish and power, and the importance of appropriate levels of resource diversity and risk management, to name a few. Much of the analytical focus of the fifth plan has been on the trade-offs between average cost and risk. We believe the resulting plan better informs regional policy-makers, power suppliers, and consumers and will assure an adequate and affordable electricity supply in the future while meeting the region's obligations to protect, mitigate, and enhance the fish and wildlife resources of the Columbia basin. The plan demonstrates the value of significant and sustained investment in conservation and the importance of preparing to develop significant quantities of wind in the longer term.

In particular, the division will be concentrating its efforts on the following areas:

Implementation of the Council's Fifth Power Plan.

This will involve working closely with Bonneville, state regulators, utilities, and others in the following areas:

- Development of conservation resources. The combination of higher avoided costs and new technologies has resulted in a significantly larger amount of cost-effective conservation than what was included in the last power plan. Development of that conservation, and in particular, lost-opportunity conservation (e.g., conservation in new buildings or equipment) in a sustained manner, will yield significant benefits.
- Better identification of the amount and cost of demand-response resources in the region, and development and implementation of policies and programs necessary to utilize those resources. Demand response is the ability to voluntarily reduce loads in response to high prices or tight supplies. The plan's analysis indicates significant value to demand response if available in the amounts and costs estimated.
- Take the necessary steps to implement generating resources when needed including
 - Resolving uncertainties regarding the ability to site large wind-power developments in the region and the cost of integrating large amounts of wind generation in the power system.
 - Monitoring and evaluating the commercialization of integrated gasified-coal generation.
 - Developing effective indicators of resource adequacy and encouraging the adoption of

- voluntary adequacy standards on a regional and West-wide basis.
- Encouraging load-serving entities to use effective resource planning methods that incorporate consideration of risk.
- Encouraging the development of institutions and mechanisms for effective planning, expansion, operation, and management of the region's transmission system.
- Resolving barriers to the development of renewable and high-efficiency resources and ensuring development of cost-effective lost-opportunity generating resources (e.g., combined heat and power projects).
- Undertake pre-construction activities to facilitate the more rapid deployment of generating resources when needed, including, if justified, development of transmission that may be needed to access low-cost generation.
- Continue efforts to encourage consideration of cost-effectiveness in fish and wildlife planning and better integrate fish mitigation and power planning.
- Monitor and evaluate the state of the science and policy of climate change and adjust resource planning accordingly.

Participation in regional and western energy policy development forums:

- The Northwest is increasingly part of a West-wide power system. Actions elsewhere in that system can have profound implications for the Northwest. This has necessitated dedicating increasing amounts of staff time to activities like GridWest, the Western

Electricity Coordinating Council (WECC) and many of its committees, the Committee of Regional Electric Power Cooperation (CREPC), and so on. Division staff will continue to be involved in these activities in the coming year.

- In addition, the Power Division will be closely involved with the activities intended to change the way in which the Bonneville Power Administration carries out its responsibilities in power supply. The thrust of those changes is to:
 - provide power beyond the capability of the existing system only to those who request it and who agree to bear the costs of the additional resources acquired through tiered rates or a similar mechanism; and
 - continuing to facilitate cost-effective conservation and renewables development.
- The Council formed the Northwest Resource Adequacy Forum to develop resource adequacy standards and measures.
- Council staff will participate in utility integrated-resource planning processes by providing data and advice.
- The staff will continue to be active participants conservation organizations such as the Northwest Energy Efficiency Alliance, the Regional Technical Forum, and the Oregon Energy Trust.

Providing information and analytical support to the region, including:

- Support of efforts to develop cost-effective energy efficiency initiatives and renewable resources, particularly through support of the Regional Technical Forum (RTF); activities related to

Bonneville's Conservation and Renewable Resource Discount (C&RD); and conservation acquisitions as part of Bonneville's efficiency program and those of individual utilities in the region. The RTF successfully completed the initial phase of its work, and implementation of the C&RD is well under way. However, there remain ongoing responsibilities for the further development of these efforts.

- Support of the activities of the Independent Economic Analysis Board.
- Providing analysis on the effects of fish recovery initiatives on the power system.
- Periodic evaluation of future power supply adequacy.
- Providing information and data on the regional energy system through response to requests.
- Providing specialized energy analyses to support other regional organizations.

Maintaining and enhancing the Council's planning and analytical capability:

- The Council staff must devote substantial time and resources to preserving and enhancing its modeling and analysis capabilities. During 2007 and 2008 this will include:
 - Developing new demand forecasting capability
 - Refining the portfolio risk assessment model and making it accessible to utilities in the region.
 - Enhancing the GENESYS model of hydroelectric and other generating resources in the model.

- Further developing analytical capabilities for the Western power and transmission grid.
- Staying abreast of emerging efficiency and generating technologies and their costs.

These activities will form the core of the Power Division's activities over the next two years. The work plan and staffing of the Power Division reflect the following functions:

1. Power System Analysis (Contracts \$45,000)

A. Carry out system analyses of power issues.

Assess and inform the region regarding adequacy of the power supply, implications for power system reliability, and alternatives for maintaining an adequate and reliable power supply. Evaluate resource strategies and perform issue-specific analyses (contract support is required to maintain the Council's license to the AURORA™ price forecasting model and assistance in the staff's own modeling efforts).

B. Develop utility-scale versions of the portfolio risk analysis model OLIVIA. Making this model accessible and scaled to individual utility planning will facilitate consideration of risk in utility integrated resource planning.

C. Carry out analyses of the effects of fish and wildlife initiatives on the power system. The Council provides the states and the people of the Northwest the capability to independently analyze and evaluate the interactions between the power system and fish and wildlife. Division staff will continue to provide this analytical capability and, in

particular, will perform analyses in support of the Council's efforts should the Council amend its fish and wildlife program.

- D. Maintain data on existing and potential generating resources.** The Council has become a source for reliable data on both existing and potential new generating resources. Division staff will continue to research new technologies and their costs and maintain publicly available databases containing this information.
- E. Maintain and enhance the GENESYS Model for evaluation of the Northwest power system.** This model is widely used for understanding the operations of the hydroelectric system in the context of other generating resources. It is also the primary tool for the region to estimate the effects of operational constraints for fish and wildlife on the capability of the power system.

2. Energy Efficiency and Renewables (Contracts \$45,000)

- A. Support the Regional Technical Forum to facilitate regional activities and implementation of Bonneville's conservation and renewables rate discount (C&RD).** The Regional Technical Forum will be updating information in the C&RD database and Web site, and will be monitoring and evaluating utility actions under the C&RD. Division staff will be supporting this work.
- B. Research and maintain data on energy efficiency technologies and their costs.** The Council is a key source of this information. The Council's information is widely used in utility integrated

resource plans and in other forums addressing conservation opportunities and policies.

3. Economic Assessment and Forecasting of Electricity Markets (Contracts \$66,000)

- A. Maintain information on the regional economy, fuel and electricity prices, and electricity demand.**
- B. Upgrade the Council's demand-forecast tools.** The division will begin the process of building a new set of demand-forecasting tools that are more appropriate for the changing electricity markets in the region.
- C. Continue to support the efforts of the Independent Economic Analysis Board.**

4. Outreach and Information to encourage implementation of the recommendations of the fifth power plan.

- A. Encourage implementation of the plan.** The publishing of a power plan is just the beginning. To see the plan implemented requires that staff and Council members work with utilities, state and local regulatory commissions, siting agencies, public interest groups, and others to encourage and facilitate implementation.
- B. Participate in and facilitate regional efforts on issues related to the planning, expansion, and operation of the regional transmission system.** Power Division staff will support the participation of the Council in regional efforts to form a Northwest alternative to a regional transmission organization. Staff will participate

in regional work groups and provide the Council with analysis of alternatives as they are developed.

- C. Work with Bonneville, its customers, investor-owned utilities and other parties to implement conservation.**
- D. Support the work of the Northwest Energy Efficiency Alliance and the Oregon Energy Trust.** The Council was instrumental in facilitating the formation of the Northwest Energy Efficiency Alliance. Its mission is to bring about lasting improvements in the markets for selected energy-efficiency products, services, and practices. Power Division staff will continue to work with the Alliance to carry out this mission. The Oregon Energy Trust (OET) is funding and managing the implementation of conservation in the service territories of Oregon's investor-owned utilities. Council staff will continue to provide technical support to OET's planning efforts.
- E. Participate in utility integrated resource planning processes.** Division staff participate in all utility integrated resource planning processes, both to provide advice and data and to understand how their plans are contributing to implementation of the Council's power plan.

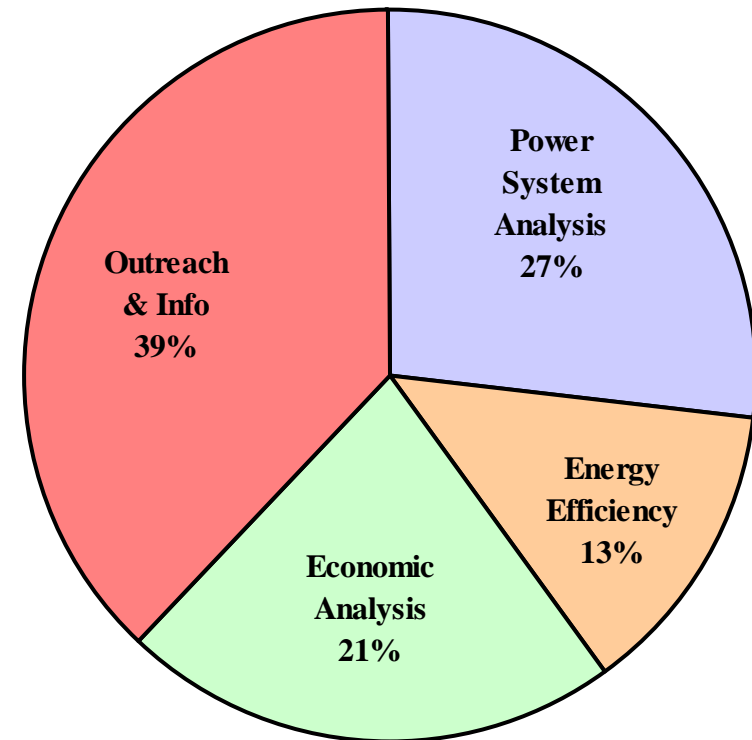
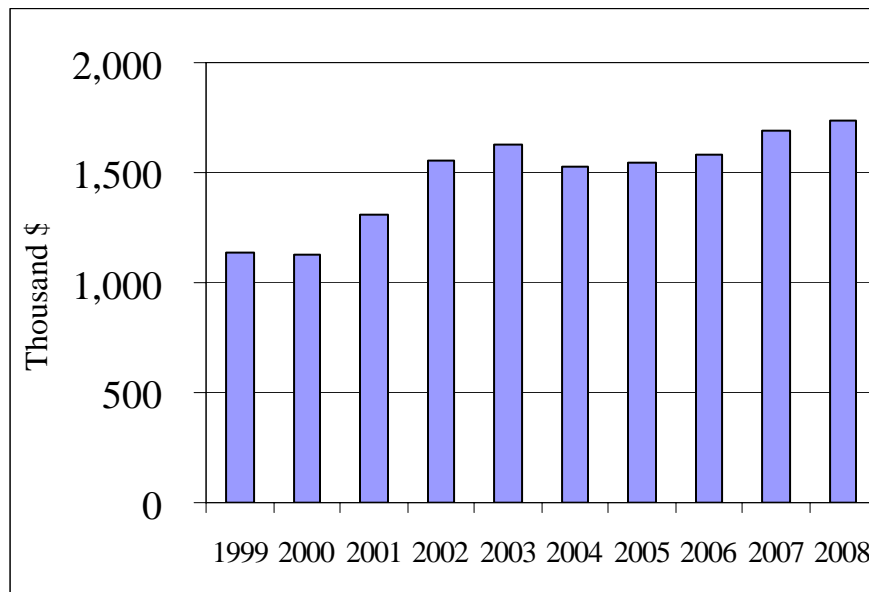
Travel

In Fiscal Year 2006 and Fiscal Year 2007 travel costs for Power Division staff will continue at the current service level.

Staffing

Staffing is unchanged.

Budget History (Figure 4)



FY08 Program Allocations
\$1,733,000

Expenditures by Category (Table 4)
(000's omitted)

	FY05 Actual	FY06 Budget	FY06 Estimate	FY07 Budget	FY07 Revised	FY08 Budget
Compensation	\$956	\$1,007	\$979	\$1,031	\$1,021	\$1,054
Taxes, Insurance & Benefits	297	403	392	412	408	422
SUBTOTAL	\$1,253	\$1,410	\$1,371	\$1,443	\$1,429	\$1,476
TRAVEL						
Staff	\$45	\$43	\$43	\$43	\$48	\$48
Advisory Committees	0	2	2	2	2	2
SUBTOTAL	45	45	45	45	50	50
CONTRACTS						
(See detail Table 5)	57	90	90	100	156	156
OTHER OPERATING EXPENSES						
(See detail Table 5)	87	37	37	37	60	51
TOTAL	\$1,442	\$1,582	\$1,543	\$1,625	\$1,695	\$1,733

Supplemental Expenditures (Table 5)
(000's omitted)

	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Budget</u>	<u>FY06</u> <u>Estimate</u>	<u>FY07</u> <u>Budget</u>	<u>FY07</u> <u>Revised</u>	<u>FY08</u> <u>Budget</u>
I. CONTRACTS						
A. Energy Plan - Printing	\$0	\$0	\$0	\$0	\$0	\$0
B. Competitive Market Analysis	0	0	0	0	0	0
C. Conservation/Renewables	3	35	35	35	45	45
D. System Analysis	54	35	35	35	45	45
E. Demand Forecasting	0	20	20	30	66	66
F. RTF Support	0	0	0	0	0	0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$57</u>	<u>\$90</u>	<u>\$90</u>	<u>\$100</u>	<u>\$156</u>	<u>\$156</u>
II. OTHER OPERATING EXPENSES						
A. Data Subscription Service	\$52	\$25	\$25	\$25	\$23	\$14
B. Staff Development and Training	3	5	5	5	5	5
C. Advisory Committee Meetings Expense	18	1	1	1	1	1
D. Services and Supplies	5	3	3	3	3	3
E. Temp Services	0	3	3	3	3	3
F. Modeling Service	9	0	0	0	25	25
G. Power Plan - Printing	0	0	0	0	0	0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$87</u>	<u>\$37</u>	<u>\$37</u>	<u>\$37</u>	<u>\$60</u>	<u>\$51</u>

F. FISH AND WILDLIFE DIVISION

The Council's continuing role in protecting, mitigating and enhancing fish and wildlife affected by hydropower dams of the Columbia River Basin is reflected in the budget proposed for the Fish and Wildlife Division. Primary Fish and Wildlife Division activities include:

1. Implementing the 2000 Fish and Wildlife Program, including the implementation of subbasin plans adopted by the Council in 2004 and 2005.
2. Conducting an amendment process to adopt provincial-scale objectives, building from adopted subbasin plans.
3. Implementing the amendments of the mainstem section of the program adopted in April 2003.
4. Organizing and facilitating implementation of the recommendations of the 1999 Artificial Production Review, which includes reviewing the information provided by the Council's facility-by-facility evaluation of the basin's artificial production facilities and identifying specific measures to improve artificial production in the basin.
5. Completing a comprehensive review of project proposals for implementation in fiscal years 2007-2009 and providing comprehensive recommendations to the Bonneville Power Administration for funding in accordance with the 1996 amendment to the Northwest Power Act. The division will undertake planning and preparation for reviewing project proposals in subsequent years with attention to a) the growing operations and maintenance funding needs of ongoing projects, and 2) integrating monitoring and evaluation tasks funded by the program.
6. Coordinating program measures and their implementation with NOAA Fisheries and the U.S. Fish and Wildlife Service to assure that measures funded under the Council's program have maximum impact in meeting regional Endangered Species Act obligations.
7. Monitoring the implementation of projects receiving funding, tracking the results, and facilitating development of a data-management system for the region.
8. Conducting reviews and developing reports concerning the U.S. Army Corps of Engineers' capital construction expenditures, as requested by Congress.
9. Analyzing, through the Independent Economic Analysis Board, the economic impacts of fish and wildlife program measures and commenting on how best to balance and mitigate these impacts.

A description of these activities for Fiscal Years 2006 and 2007 follows:

1. Implementing the 2000 Fish and Wildlife Program, including subbasin plans. The Council adopted a new fish and wildlife program in December 2000. The program establishes an overall framework for the fish and wildlife mitigation effort, organizing the Columbia Basin into provinces and, within each province, subbasins. The program establishes a basinwide vision, biological objectives, and strategies. Subbasin plans were completed on schedule in May 2004 and adopted by the Council following independent scientific review and public

comment. The amendment process was completed in October 2005. The Council is shifting its focus to implementing the plans through prioritization of Bonneville funding and coordination with other implementation and funding processes. This work will require staff support for coordination with other funding and implementation processes and the continued integration of scientific review, monitoring integration and implementation assistance.

2. Conducting a provincial objectives amendment process (Contracts \$40,000): The 2000 Fish and Wildlife Program anticipated that the Council would follow the adoption of subbasin plans with an amendment process to incorporate specific provincial visions, objectives, and strategies. The Council is initiating technical analysis to support this process by integrating subbasin plan objectives with artificial production project objectives. The Council will propose the scope of the amendment process and example objectives in the summer or fall of 2006 and conduct the amendment process through 2007. The adoption of provincial objectives will help monitor program performance at broad scales and inform evaluation of progress toward provincial goals. The adoption of objectives also will help inform the allocation of program strategies, particularly in the role of artificial production and the allocation of habitat efforts. This amendment process will rely on Council staff expertise in the fish and wildlife and legal divisions.

3. Implementation of the 2003 mainstem amendments to the fish and wildlife program. The Council adopted amendments to the mainstem section of the program in April 2003. These amendments call for a variety of evaluations and experimental operations that must be implemented through the NOAA Regional Forum

processes. The Council expects to participate in decision processes to implement the mainstem amendments and provide a forum for regional participation in implementation decisions. The Council will seek assistance from the Independent Scientific Advisory Board in matters of experimental design and review of scientific information.

4. Artificial Production Improvement: In 1997, Congress mandated a review by the Council of artificial production practices. In response, the Council conducted a comprehensive review of production in the Columbia Basin and reported its findings to Congress near the end of Fiscal Year 1999. The 2000 Fish and Wildlife Program incorporated the review's recommendations and established an Artificial Production Advisory Committee to work with the regional fish managers to complete specific evaluations of the more than 100 artificial production facilities in the Columbia River Basin and implement the recommendations of the review. The initial review of the regional facilities was completed in 2003. This work also formed the first phase of Hatchery Genetic Management Plans required for permitting the operations of facilities under the Endangered Species Act. The products of this work inform ESA recovery planning, as well as the purposes of the program.

NOAA Fisheries is undertaking a review of regional hatchery facilities at direction of Congress. This review is to be coordinated with the Council. The fish and wildlife division staff will work with NOAA Fisheries' specific reforms and improvements at artificial production facilities that can be undertaken, and to establish a schedule and budget to accomplish the remainder of the changes. The Council staff is participating in a technical analysis of the integration of artificial production objectives with the

habitat conditions documented by subbasin plan assessments. This integration is expected to inform the development of provincial-scale objectives and to prioritize hatchery reform measures. Contract assistance is expected for facilitating prioritization discussions with production program managers.

5. Provincial project reviews and comprehensive recommendations to the Bonneville Power

Administration (Contracts \$30,000). In 1996, the Power Act was amended for the first time. The amendment formalized a process, established previously by mutual agreement between Bonneville and the Council, in which the Council reviews projects proposed for funding and makes recommendations to Bonneville. The amendment to the Power Act added independent scientific review of these proposals and Council consideration of cost-effectiveness and ocean conditions.

Consistent with the Power Act amendment, the Council established the Independent Scientific Review Panel and associated peer review groups to carry out the scientific review of projects called for in the amendment. Further, the Council will seek advice from these groups concerning the consideration of ocean conditions and their impact on salmon survival. To assist with the cost-effectiveness analyses, the Council established the Independent Economic Analysis Board.

The fish and wildlife managers, the Council, Bonneville, and others continue to refine the prioritization process for selecting recovery measures to be funded. How these two elements -- an administrative budget and the prioritization process -- work together is a matter of great importance to the Council and the region.

The Council expects to complete a complete review of ongoing and new projects proposed for funding by Bonneville in fiscal years 2006-2007. The Council undertook a review of all proposals using the now-adopted subbasin plans to guide prioritization of habitat restoration and protection projects. The Council review process will have prioritized research to meet regional priorities; to integrate monitoring and evaluation more effectively across the Columbia Basin; and to review the performance of past program investments including hatcheries, wildlife mitigation projects, and fish passage-improvement projects.

In 2007 the Council will develop a schedule for subsequent proposal reviews that will be sequenced between 2007 and 2009. The recommendations from these reviews will inform Bonneville funding for the next rate period that is expected to begin in 2010.

Planning for the next review process will continue to require significant staff time in order for the reviews to intensify focus on operation and maintenance requirements, prioritizing monitoring tasks to support regional needs, and for reviewing project accomplishments.

In addition, the staff conducts reviews of within-year funding reallocation needs for recommendation by the Council to Bonneville. The staff also conducts sequenced reviews of artificial production projects and other large-capital projects for improved management of project scope and cost. The Council staff provides the core budget development and review for Bonneville's fish and wildlife funds. This function requires at least two staff members with support from the Legal Division and the state Council offices.

6. Coordinating program measures with ESA implementation. The division coordinates program implementation with ESA recovery planning and Biological Opinions for operation of the federal power system. Recovery planning for listed salmon and steelhead is using the subbasin plans adopted by the Council. Ongoing coordination includes tracking of recovery planning technical products, implementation planning, and monitoring.

The 2004 Biological Opinion for the FCRPS is under a court-ordered remand. As revised mitigation requirements are defined in a new Biological Opinion, the division coordinates review and implementations of actions assigned to Bonneville for funding.

Needs identified under other biological opinions, including the opinions issued by the U.S. Fish and Wildlife Service on Kootenai River sturgeon and on bull trout are also being addressed by the Council through its project review process. The Council will continue to work with NOAA Fisheries and the U.S. Fish and Wildlife Service to assure that measures funded under the Council's program have maximum impact in meeting regional Endangered Species Act obligations while balancing the allocation of available funding to meet other state, tribal, and local priorities.

7. Monitoring and evaluating program results. (Contracts \$15,000) An important part of program implementation is assuring not only that a project is completed, but also that the intended results are achieved.

The Fish and Wildlife Division staff plays a significant role in facilitating integration of regional-scale monitoring and

evaluation with the ongoing monitoring programs of the states and tribes. This work is significant because of the potential for duplication of effort at enormous cost. With significant Council staff participation, regional monitoring partnerships have developed strategic plans for monitoring and evaluation collaboration extending from California to Canada. Prioritizing funding to support this integrated effort will be a focus of staff work in the next project-selection process. In addition, Council staff will continue to work on the consolidation of monitoring protocols and the allocation of effort from many funding sources. The Independent Scientific Review Panel will continue to assist this effort by reviewing products of the collaborative efforts.

The Council also is focusing on data management and analysis questions. The intention is not to draw all data into a single database, but rather to provide a single point of access for information maintained in the various databases within the region and to make the data from those sites readily available for further analysis.

The Council will continue to participate in regional efforts to develop coordinated data management systems to support decisionmaking. The Council is working with NOAA Fisheries, Bonneville, and other regional fish and wildlife interests to coordinate development of an Internet-based data access site to provide access to decentralized databases.

This activity is expected to continue to require about one and a half full-time equivalent staff positions.

8. Council and ISRP review of U.S. Army Corps of Engineers capital construction program. This review, an

addition to the Council's review of projects directly funded by Bonneville, was mandated by Congress in 1997 and made a responsibility of the Council and the Independent Scientific Review Board. It requires a review of the major U.S. Army Corps of Engineers' capital expenditures in the Columbia Basin, which collectively have a multi-million dollar annual budget, preparation of Council recommendations, and reports to Congress. The Council expects to conduct reviews in fiscal years 2006 and 2007, balancing assignments for the independent scientific panels with project-selection responsibilities.

Council fish and wildlife staff also participate, as available, on the NOAA Fisheries/National Marine Fisheries Service Regional Forum Implementation Team, System Configuration Team, and the in-season Technical Management Team, all of which advise the federal operating agencies on dam and reservoir operations during the April-through-August fish migration season to optimize passage conditions for juvenile and adult salmon.

9. Analysis of fish and wildlife impacts resulting from power system operations. Council staff continue to provide basic analysis of the potential fish and wildlife impacts under various operating scenarios for the Columbia River power system and to provide recommendations for minimizing those impacts. In fiscal years 2007 and 2008 the staff will continue to provide analysis of new operational proposals and to present evaluations of experimental operations to the Council and the region.

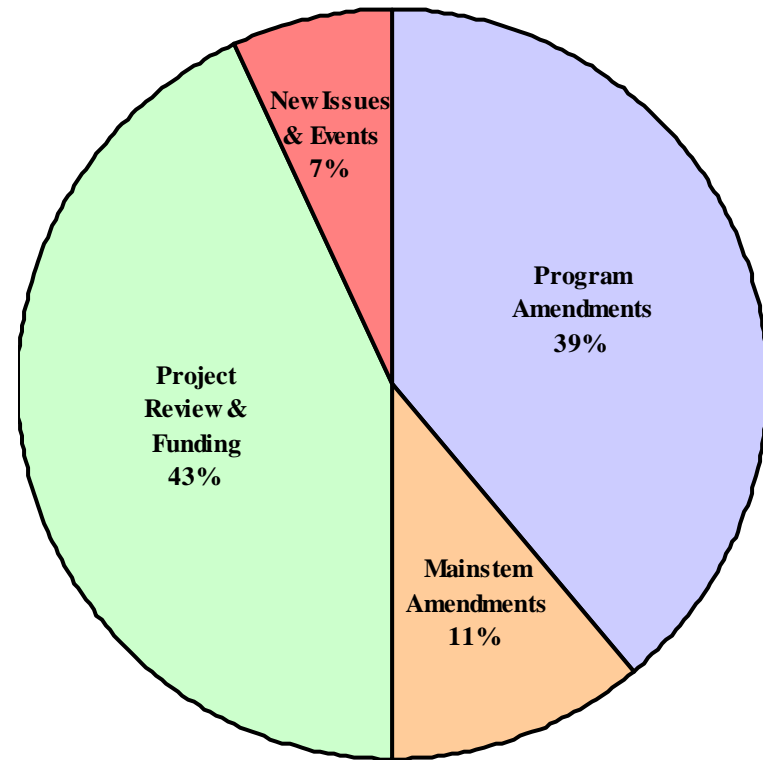
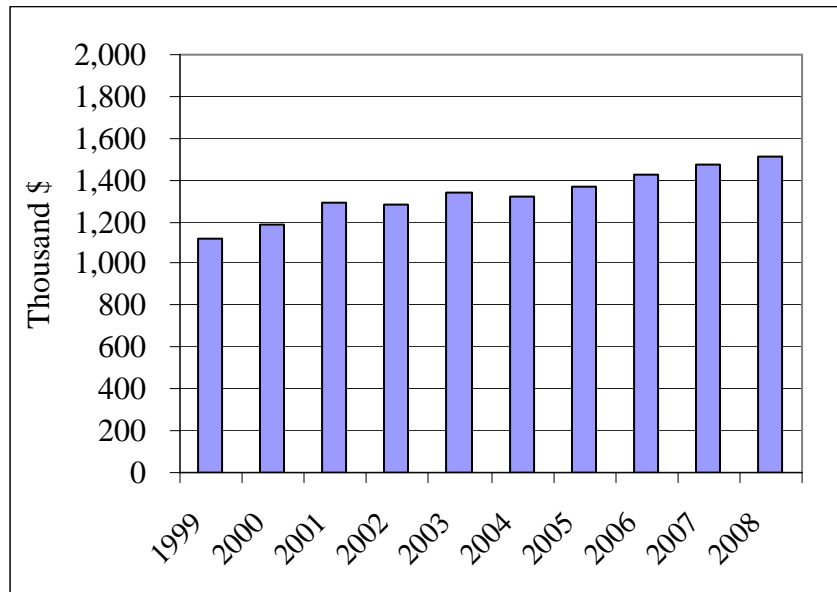
10. Independent Economic Analysis Board (IEAB) (Contracts \$100,000). The Council established the IEAB to assist in evaluating economic impacts of current and proposed program measures.

The IEAB also has been asked to advise the Council on the cost-effectiveness considerations it must take into account as part of the prioritization of projects and funding recommendations to Bonneville. Staff helped establish this group and is assisting with gathering and synthesizing information and coordination between the IEAB and the Council.

Staffing

Staffing remains the same.

Budget History (Figure 5)



FY08 Program Allocations
\$1,516,000

Expenditures by Category (Table 6)
(000's omitted)

	FY05 Actual	FY06 Budget	FY06 Estimate	FY07 Budget	FY07 Revised	FY08 Budget
Compensation	\$748	\$831	\$739	\$854	\$863	\$887
Taxes, Insurance & Benefits	271	332	296	342	345	355
SUBTOTAL	\$1,019	\$1,163	\$1,035	\$1,196	\$1,208	\$1,242
TRAVEL						
Staff	\$42	\$67	\$67	\$67	\$67	\$77
Advisory Committees	0	4	4	4	4	4
SUBTOTAL	42	71	71	71	71	81
CONTRACTS						
(See detail Table 7)	136	180	180	200	188	185
OTHER OPERATING EXPENSES						
(See detail Table 7)	66	8	8	8	8	8
SUBTOTAL	\$1,263	\$1,422	\$1,294	\$1,475	\$1,475	\$1,516

Supplemental Expenditures (Table 7)
(000's omitted)

	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Budget</u>	<u>FY06</u> <u>Estimate</u>	<u>FY07</u> <u>Budget</u>	<u>FY07</u> <u>Revised</u>	<u>FY08</u> <u>Budget</u>
I. CONTRACTS						
A. Subbasin Planning	8	0	0	0	0	0
B. Program Amendment	26	0	0	0	23	40
C. Monitor Prgrm Implementation	0	35	35	35	35	15
D. Project Review	0	30	30	30	30	30
E. Subbasin Implementation	0	15	15	35	0	0
F. IEAB	102	100	100	100	100	100
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$136</u>	<u>\$180</u>	<u>\$180</u>	<u>\$200</u>	<u>\$188</u>	<u>\$185</u>
II. OTHER OPERATING EXPENSES						
A. Staff Development	\$4	\$4	\$4	\$4	\$4	\$4
B. Computer Equip/Software	0	0	0	0	0	0
C. Temp. Services-Data Dev.	1	0	0	0	0	0
D. Wildlife Coordination	0	0	0	0	0	0
E. Meeting Room Rent/Minutes	26	4	4	4	4	4
F. Meetings/Hearings	10	0	0	0	0	0
G. Temporary Clerical	3	0	0	0	0	0
H. Other Services & Supply	22	0	0	0	0	0
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$66</u>	<u>\$8</u>	<u>\$8</u>	<u>\$8</u>	<u>\$8</u>	<u>\$8</u>

G. PUBLIC AFFAIRS DIVISION

The Public Affairs Division's primary task is to fulfill the directive of the Northwest Power Act to inform and involve Northwest citizens about the Council's activities. Section 2(3) states a purpose of the Act is "to provide for the participation and consultation of the Pacific Northwest states, local governments, consumers, customers, users of the Columbia River System (including federal and state fish and wildlife agencies and appropriate Indian tribes), and the public at large within the region" in the Northwest's planning for electrical power and protection of fish and wildlife resources. Section 4(g)(1) of the Act requires the Council to develop "comprehensive programs" to ensure public involvement and to "inform the Pacific Northwest public of major regional power issues."

The division carries out this mandate in two important ways. First, it assists the Council members, state offices, Power Division, and Fish and Wildlife division in informing and involving the public of Council activities. Second, the division develops and carries out public information and involvement activities on major issues pertaining to the Council and the Columbia River Basin. Accordingly, the division is the Council's primary contact with the media and with the public. The division's publications are sources of information for interest groups and the general public. The Council's Web site (www.nwccouncil.org) is updated regularly with Council meeting agendas and minutes, all publications released by the Council, as well as a host of other information including subbasin planning materials, fish and wildlife project information, power division reports, current reports by the Independent Scientific Advisory Board, the

Independent Economic Analysis Board, the Independent Scientific Review Panel, and the Regional Technical Forum. The public is invited to comment on all reports and issue papers relevant to the Council's decision making process.

The Public Affairs Division carries out the following activities:

1. Public involvement, outreach, and government relations. The public affairs staff develops public involvement and communication plans and supports Council members and staff in carrying out public involvement activities. These include drafting and, when needed, delivering speeches; writing, editing, and proofreading; design and graphics; slides and overheads; video production; and handling logistics for meetings, hearings, etc. This function also includes outreach and liaison activities to Congress, federal agencies, state legislatures, other government entities, groups interested in the Council's work, relevant entities in the Canadian portion of the Columbia basin, and the general public.

2. Printed and electronic publications. Publication production by the Public Affairs Division is one of the principal ways to increase public awareness and involvement in Council issues. Printed and electronic publications include the *Council Quarterly*, a newsletter about the Council's activities published four times a year; a monthly electronic newsletter, *Monthly Spotlight*, for the Council's primary constituents, including members of

Congress and their staffs; the Council's *Annual Report to Congress*; brief summaries of issue papers, agenda items, and larger publications; and special publications such as issue brochures and reports to governors and legislators. The division also edits and publishes the *Northwest Power Plan*, *Columbia River Basin Fish and Wildlife Program*, *Annual Implementation Work Plan*, and other major Council documents. The majority of the division's operating expense budget covers publishing costs (printing, postage, graphics, etc.) for Council documents.

All printed publications and documents, including brochures, newsletters, important letters, memoranda and Council decision documents are posted on the Council's Web site. The Web site also contains general information about the Council's history, statutory obligations, bylaws, Council members and staff profiles, conflict of interest rules, the Council's budget, and other information. In addition, users of the Council's Web site can communicate with the Council via e-mail.

3. Media relations. The division responds to numerous media requests, briefs editors and reporters on major issues, distributes news releases, and places feature stories about the Council and its work in a variety of publications. Media activities include work with newspapers, general and trade magazines, radio, and television. The division monitors all media to keep the Council informed on the type of coverage it is getting on major issues.

4. Public meetings. The Council meets monthly throughout the region. In addition, public hearings, consultations with interested parties and appearances before governmental entities are scheduled on a regular basis to

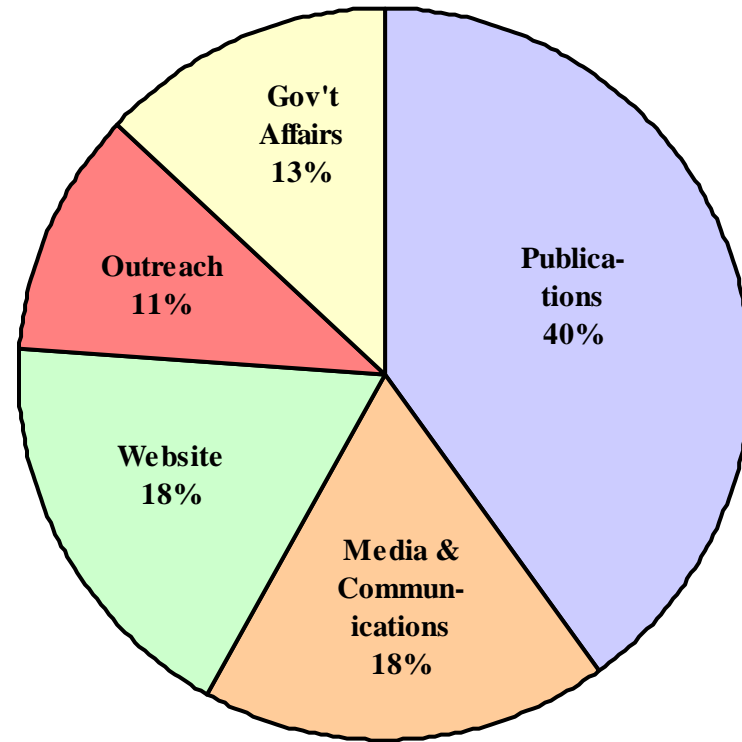
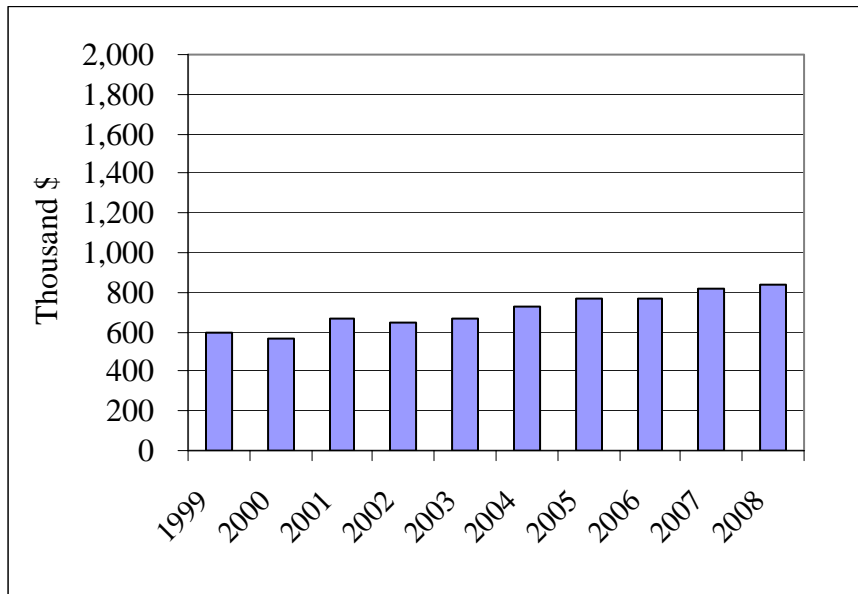
ensure public involvement. Staff support for Council meetings includes writing speeches and presentations, preparing audio/visual aids, developing handout materials, preparing media packets, announcing public hearings, making major documents available, and summarizing agenda items and Council actions for the web site.

5. Information services. The Public Affairs Division answers most general information calls and correspondence from the public. Information requests handled by the division range from phoned-in questions to preparing complete reports. The division also provides information to schools, civic organizations, and other interested parties.

Staffing

Staffing is unchanged.

Budget History (Figure 6)



FY08 Program Allocations
\$834,000

Expenditures by Category (Table 8)
(000's omitted)

	FY05 Actual	FY06 Budget	FY06 Estimate	FY07 Budget	FY07 Revised	FY08 Budget
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Compensation	\$448	\$467	\$468	\$481	\$486	\$499
Taxes, Insurance & Benefits	<hr/> 166	<hr/> 187	<hr/> 187	<hr/> 192	<hr/> 194	<hr/> 199
 SUBTOTAL	 \$614	 \$654	 \$655	 \$673	 \$680	 \$698
 TRAVEL						
Staff	\$22	\$21	\$28	\$21	\$21	\$21
Advisory Committees	<hr/> 0	<hr/> 20	<hr/> 13	<hr/> 20	<hr/> 20	<hr/> 20
 SUBTOTAL	 \$22	 \$41	 \$41	 \$41	 \$41	 \$41
 CONTRACTS						
(See detail Table 9)	0	0	0	10	0	0
 OTHER OPERATING EXPENSES						
(See detail Table 9)	<hr/> 124	<hr/> 69	<hr/> 99	<hr/> 90	<hr/> 97	<hr/> 95
 TOTAL	 <hr/>\$760	 <hr/>\$764	 <hr/>\$795	 <hr/>\$814	 <hr/>\$818	 <hr/>\$834

Supplemental Expenditures (Table 9)
(000's omitted)

	<u>FY05</u> <u>Actual</u>	<u>FY06</u> <u>Budget</u>	<u>FY06</u> <u>Estimate</u>	<u>FY07</u> <u>Budget</u>	<u>FY07</u> <u>Revised</u>	<u>FY08</u> <u>Budget</u>
I. CONTRACTS						
A. Annual Report Printing	\$0	\$0	\$0	\$0	\$0	\$0
B. Public Info/Invol Project	0	0	0	10	0	0
C. Writing/Editing	0	0	0	0	0	0
D. Distribution F & W Film	0	0	0	0	0	0
TOTAL	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$10</u>	<u>\$0</u>	<u>\$0</u>
II. OTHER OPERATING EXPENSES						
A. Publications						
1. Illustrations	\$0	\$2	\$2	\$2	\$2	\$2
2. Publish Newsletter	19	25	25	25	25	25
B. Other Printing	41	8	39	10	22	22
C. Photos/Processing	2	2	2	2	2	2
D. Public Meetings	25	0	0	0	0	0
E. Staff Development	1	1	1	1	1	1
F. Postage and Mailing	9	5	5	15	15	15
G. Equipment Rental	0	0	0	0	0	0
H. Subscriptions/Reference	18	5	5	5	5	5
I. Temporary Services	0	0	0	0	0	0
J. Other Services & Supply	9	16	15	20	20	20
K. Public Notice Media Buys	0	5	5	10	5	3
TOTAL	<u>\$124</u>	<u>\$69</u>	<u>\$99</u>	<u>\$90</u>	<u>\$97</u>	<u>\$95</u>

H. LEGAL DIVISION

The Legal Division provides legal advice and representation to the Council and its staff. The division supports the power planning, fish and wildlife, and administrative divisions in the development of Council plans, programs, policies, rules and procedures, in the negotiation of major agreements, and in the development of contracts involving substantial expenditures or significant legal issues. The division also develops and assists in administering the Council's conflict-of-interest policies, Freedom of Information Act requests, personnel issues, and other matters.

The Legal Division is an important participant in overseeing the implementation of the power plan and fish and wildlife program by Bonneville, the U.S. Army Corps of Engineers, the Bureau of Reclamation, the Federal Energy Regulatory Commission, and other agencies and utilities. The division will also continue to represent the Council in appeals of its plan, program or other actions. The division also assists in implementation of legal requirements for review of proposed fish and wildlife expenditures and in analyzing issues and options in the restructuring of the electric energy industry.

The Legal Division practices preventive law by anticipating legal issues and resolving problems in lieu of litigation, where appropriate.

The division also participates in conferences and educational programs related to energy and fish and wildlife.

Legal division activities include the following:

1. Fish and Wildlife Program Amendments. The Legal Division participates in any scheduled revisions of the power plan and amendments of the fish and wildlife program by designing amendment processes that meet legal requirements, providing legal advice on particular amendment issues, by assisting in the drafting of requests for recommendations and draft and final amendments, maintaining administrative records, documenting final Council actions, and providing appropriate notice of proposed and final Council actions. Major amendments to the fish and wildlife program in the form of more than 50 subbasin plans concluded in Fiscal Year 2005, but the Council is just in the beginning stages of an effort that will carry through Fiscal Year 2006 and into Fiscal Year 2007 to complete the comprehensive revision of the fish and wildlife program by developing and adopting quantitative biological objectives for every region in the basin. The Legal Division will play a significant role in this process. Contract funding is provided for transcripts of public hearings and other matters associated with the amendment process.

2. Fish and wildlife program implementation. The Legal Division assists the Council and the Fish and Wildlife Division in every phase of overseeing the implementation of the fish and wildlife program by other entities. This includes assisting the Council through the process of developing annual recommendations to the Bonneville Power Administration for how to use its fund in a manner consistent with the Council's program. In the fall

of 1996, Congress enacted legislation requiring the Council, with advice from an independent scientific panel, to conduct an extensive new review of projects proposed for funding with Bonneville fish and wildlife funds. In addition to considering independent scientific advice, the Council must make new determinations regarding the cost-effectiveness of measures and the impact of ocean conditions on salmon survival. In 1998, Congress requested the Council also to review federal capital programs and other programs whose costs are reimbursed by Bonneville. The Legal Division plays an active role in analysis and in documenting the Council's determinations.

The Legal Division also plays an important role in assisting with the integration of the Council's fish and wildlife program adopted to satisfy the requirements of the Northwest Power Act with the plans and programs developed by others to address other adverse effects on these fish and wildlife species or to meet other legal requirements, most notably the federal Endangered Species Act. With the adoption of subbasin plans into the program, the Council's program now has a broader framework to work with to protect, mitigate, and enhance fish and wildlife in the Columbia Basin. The Legal Division will be working with the Council and Fish and Wildlife Division in facilitating funding partnerships to implement subbasin plans in a manner that satisfies the obligations of the Power Act, and effectively and efficiently serves these other needs as well.

In addition, the division works with federal and state agencies, reservoir operating agencies, Indian tribes, and utilities in carrying out program measures, and represents the Council in Federal Energy Regulatory Commission proceedings to the extent appropriate.

3. Power plan implementation. The Council adopted the Fifth Power Plan during Fiscal Year 2005. The Legal Division will assist the Council and the Power Planning Division by addressing the many legal issues that require attention in implementing that plan. Power plan implementation largely entails working with Bonneville, utilities, federal and state regulatory agencies, and others on the implementation of the plan's conservation and energy efficiency recommendations, resource acquisition activities, energy code adoption and enforcement, and related matters. The Legal Division also will be advising the Council on legal issues relating to the ongoing regional dialogue on the future role of Bonneville in power supply and the implications of those developments for the power plan.

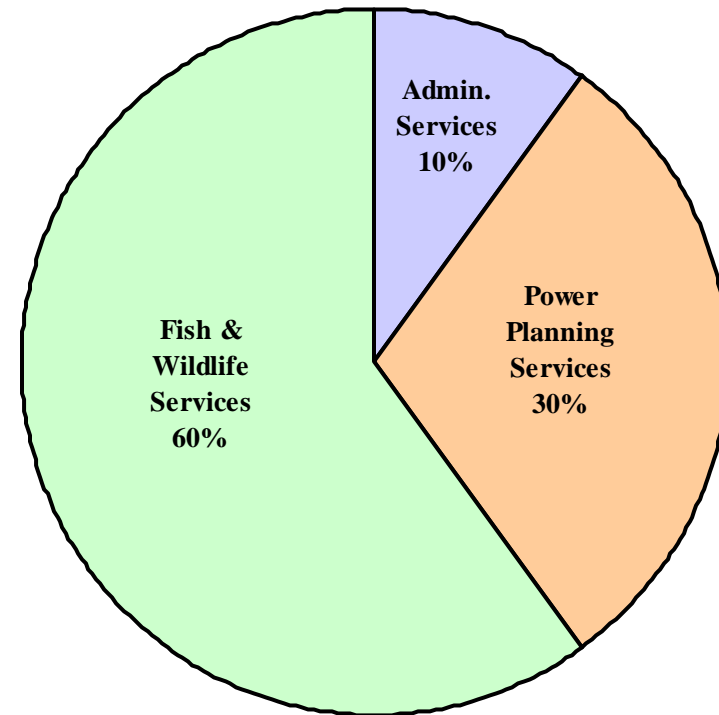
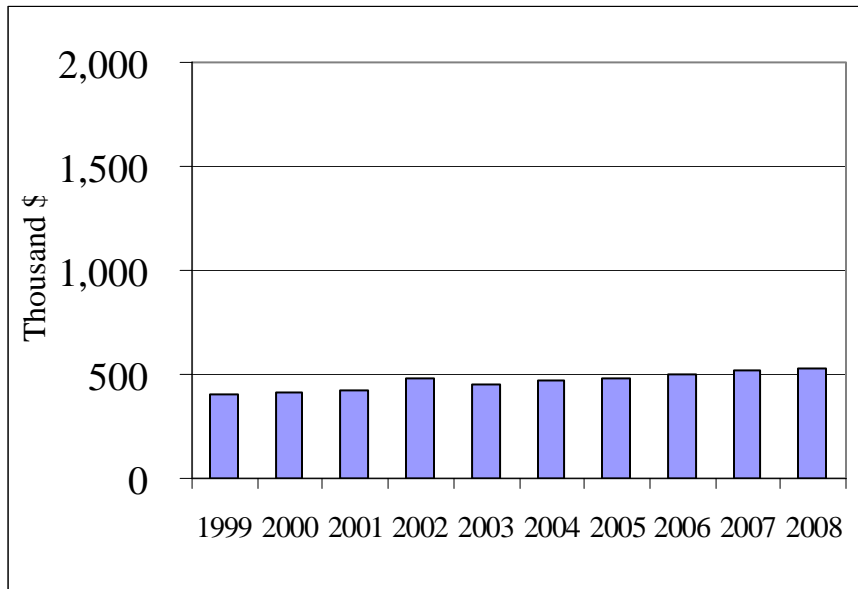
4. Administrative law. The Legal Division will continue to provide a lead role in the development and implementation of administrative rules and procedures of the Council. This includes continuing assistance in contracting, personnel matters, FOIA requests and other disclosure of information, the use of advisory committees, the application of open meeting rules, financial reporting and disclosure, conflicts of interest, and similar matters. The Legal Division advises the Council on the interpretation and revision of its bylaws and other rules and procedures. The Legal Division also participates directly in the preparation of all staff analysis and recommendations to the Council.

5. Outside legal counsel. The Council has included in the budget of the Legal Division an amount for outside legal counsel to provide expertise and counsel in areas of the law not within the experience of the Legal Division. These include areas such as personnel and labor law.

6. Litigation. The division handles litigation, with the assistance of outside counsel if needed. The division does not foresee the need to employ outside counsel during fiscal years 2006 and 2007, although participation in litigation requiring the help of outside counsel is hard to predict. To address potential needs, the Council has an agreement with the Bonneville Power Administration that litigation costs will be met by using any available uncommitted contract funds, unused funds from other budget categories and/or by submitting a supplemental budget request to Bonneville. In the past, litigation costs have been met in part by reallocating uncommitted contract funds.

The Legal Division also devotes an increasing amount of time to monitoring ongoing litigation that affects the Council's interests and advising the Council on those implications. This especially includes litigation over the federal agencies' efforts to comply with the Endangered Species Act, a legal conflict not expected to conclude anytime soon.

Budget History (Figure 7)



FY08 Program Allocations
\$530,000

Expenditures by Category (Table 10)
(000's omitted)

	FY05 Actual	FY06 Budget	FY06 Estimate	FY07 Budget	FY07 Revised	FY08 Budget
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Compensation	\$342	\$337	\$338	\$344	\$348	\$354
Taxes, Insurance & Benefits	<hr/> 113	<hr/> 135	<hr/> 135	<hr/> 138	<hr/> 140	<hr/> 141
 SUBTOTAL	 \$455	 \$472	 \$473	 \$482	 \$488	 \$495
 TRAVEL						
Staff	<hr/> \$17	<hr/> \$14	<hr/> \$20	<hr/> \$14	<hr/> \$20	<hr/> \$20
 SUBTOTAL	 \$17	 \$14	 \$20	 \$14	 \$20	 \$20
 CONTRACTS						
(See detail Table 11)	42	8	8	8	8	8
 OTHER OPERATING EXPENSES						
(See detail Table 11)	<hr/> 7	<hr/> 7	<hr/> 7	<hr/> 7	<hr/> 7	<hr/> 7
 TOTAL	 <hr/> \$521	 <hr/> \$501	 <hr/> \$508	 <hr/> \$511	 <hr/> \$523	 <hr/> \$530

Supplemental Expenditures (Table 11)
(000's omitted)

	FY05 <u>Actual</u>	FY06 <u>Budget</u>	FY06 <u>Estimate</u>	FY07 <u>Budget</u>	FY07 <u>Revised</u>	FY08 <u>Budget</u>
I. CONTRACTS						
A. Hearings	\$0	\$5	\$5	\$5	\$5	\$5
B. Outside Legal Counsel	42	3	3	3	3	3
C. Litigation Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$42</u>	<u>\$8</u>	<u>\$8</u>	<u>\$8</u>	<u>\$8</u>	<u>\$8</u>
II. OTHER OPERATING EXPENSES						
A. Continuing Education	\$1	\$3	\$3	\$3	\$3	\$3
C. Reference Materials	6	4	4	4	4	4
D. Federal Register Notices	0	0	0	0	0	0
E. Other Services & Supply	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	\$7	\$7	\$7	\$7	\$7	\$7

I. ADMINISTRATIVE DIVISION

The Administrative Division provides executive direction for all Council staff operations. In addition, financial, administrative, and human resources services are provided to the Legal Division, Power Planning Division, Fish and Wildlife Division, and the Public Affairs Division.

Office of the Executive Director

Staff work for all Council activities is directed from this office. In addition, the coordination of Council activities with regional energy and fish and wildlife entities, as well as with congressional delegations and regional organizations, is undertaken.

Finance and Administration

1. Financial management. Activities in this area include the operation of monthly accounts payable, payroll, Bonneville funding awards and general ledger accounting systems. Budget development (Section 4(c) (4) of the Power Act) and administration, as well as arranging for annual audits (Section 4(c)(10)) of the Council's financial records, are part of this function.

2. Contract administration. This responsibility (Section 4(a)(4)) includes establishing contract administrative records, reviewing and approving contractor invoices, and monitoring contractor costs in relation to work accomplished. Other responsibilities include amendments to contracts, review for conflict of interest and arbitration of contractor performance issues.

3. Information system support. The Council has strengthened its overall system analysis capability through the use of more advanced computerized modeling methods and database management techniques. The Council also has improved productivity with computerized business systems, Internet access, and desktop publishing. Related costs include two full-time staff who assist all divisions, equipment maintenance agreements, yearly renewal of software leases, installation of data-storage devices, computer systems, and various computer supplies. Also, independent studies and plan updates occur when needed. Projected computer support requirements are studied for each division's anticipated workloads over three to five-year periods. See Appendix B for additional detail regarding the information systems budget.

4. Human resource services. This function includes responsibility for the administration of employee insurance and benefit programs, grievance procedures, Equal Employment Opportunity practices, and staff development policies. Development of salary administration procedures, employee performance appraisal policies, and the Council compensation plan (Section 4(b)(3)) also are included.

5. Administrative support. The Administrative Division provides support for Council meetings and hearings, including scheduling, room arrangements, recording, and transcription requirements. Contract funds (\$25,000) are allocated for preparing minutes of meetings. The division also prepares the *Directory of Organizations*, a comprehensive listing of the organizations and agencies that are involved with the Council's work.

Mail and copying services, maintenance of the Council's mailing lists, and office reception activities also are provided by the administrative staff.

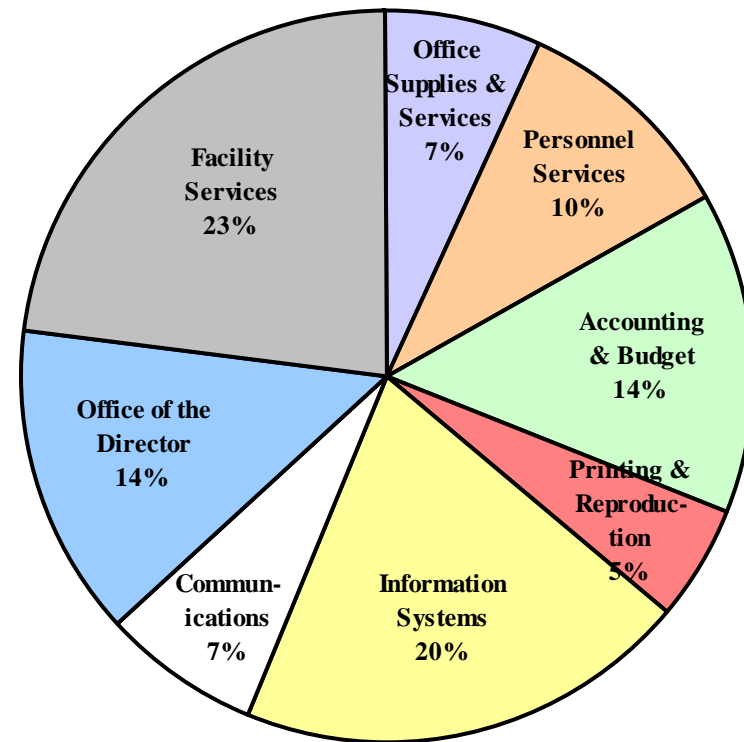
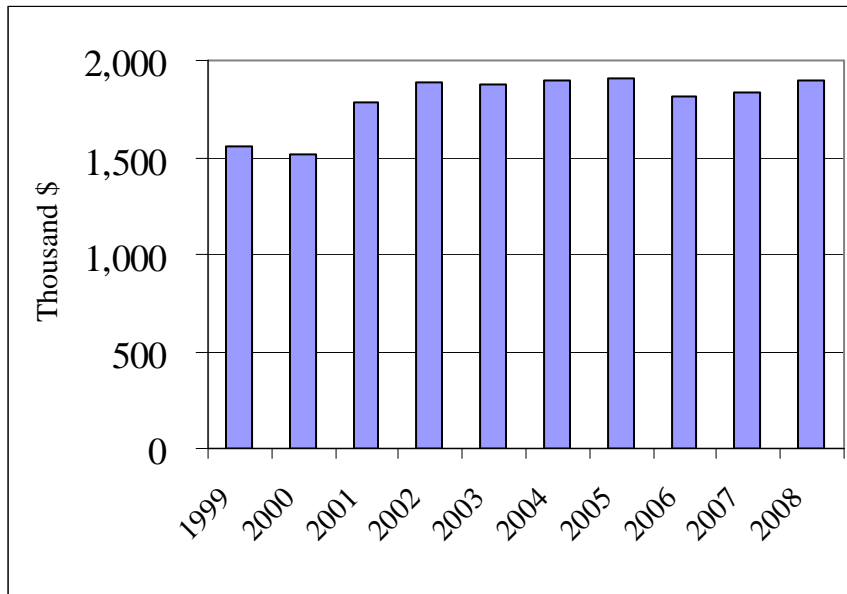
Contract funds (\$5,000) are used for administrative audits and studies, office systems analysis, retirement/pension plan matters, compensation/benefits planning, management audits, information systems support, and preparation of Council meeting minutes.

The Administrative Division also is accountable for planning office space, communication systems, office equipment systems (for example, mailing, copying, and computer systems), and administrative records.

Staffing

Reorganization of the Administrative Division was completed in Fiscal Year 2006. By reallocating workload, some savings will be achieved in fiscal years 2007 and 2008. Staffing levels are unchanged.

Budget History (Figure 8)



FY08 Program Allocations
\$1,892,000

Expenditures by Category (Table 12)
(000's omitted)

	FY05 Actual	FY06 Budget	FY06 Estimate	FY07 Budget	FY07 Revised	FY08 Budget
Compensation	\$714	\$746	\$729	\$810	\$683	\$718
Taxes, Insurance & Benefits	344	264	291	324	274	287
SUBTOTAL	\$1,058	\$1,010	\$1,020	\$1,134	\$957	\$1,005
 TRAVEL						
Staff - Admin	\$23	\$22	\$27	\$22	\$27	\$27
Staff - Data Processing	3	3	3	3	3	3
SUBTOTAL	\$26	\$25	\$30	\$25	\$30	\$30
 CONTRACTS						
(See detail Table 13)	21	25	25	30	30	30
 OTHER OPERATING EXPENSES						
(See detail Table 13)	799	755	817	756	822	827
TOTAL	\$1,904	\$1,815	\$1,892	\$1,945	\$1,839	\$1,892

Supplemental Expenditure (Table 13)
(000's omitted)

	FY05 <u>Actual</u>	FY06 <u>Budget</u>	FY06 <u>Estimate</u>	FY07 <u>Budget</u>	FY07 <u>Revised</u>	FY08 <u>Budget</u>
I. CONTRACTS						
A. Meeting Minutes	\$21	\$25	\$25	\$25	\$25	\$25
B. Administrative Studies	0	0	0	5	5	5
TOTAL	<u>\$21</u>	<u>\$25</u>	<u>\$25</u>	<u>\$30</u>	<u>\$30</u>	<u>\$30</u>
II. OTHER OPERATING EXPENSES						
A. Employee Recruiting	\$1	\$8	\$8	\$10	\$10	\$10
B. Staff Development	3	5	5	5	5	5
C. Office Supplies	16	15	17	20	20	20
D. Freight	6	8	8	8	8	8
E. Telephone	41	50	50	50	50	60
F. Postage	22	20	24	20	20	20
G. Payroll Processing Services	10	9	10	9	9	9
H. Reference Materials	1	1	1	1	1	1
I. Meetings	31	40	40	35	45	45
J. Rent	344	340	348	340	348	361
K. Insurance	17	17	17	17	17	17
L. Equipment Rental	26	12	30	12	30	12
M. Repair and Maintenance	34	50	50	40	40	40
N. Accounting Software/Support	7	10	10	10	10	10
O. Audit and Accounting	45	40	40	40	45	45
P. Mailing Services	0	0	0	5	5	5
Q. Furniture and Equipment	10	10	10	15	15	15
R. Record Storage	0	0	0	0	0	0
S. Temporary Services	1	0	1	0	0	0
T. Computer Serv. & Supply	181	116	144	115	140	140
U. Computer Staff Development	3	4	4	4	4	4
TOTAL	<u>\$799</u>	<u>\$755</u>	<u>\$817</u>	<u>\$756</u>	<u>\$822</u>	<u>\$827</u>

J. STATE BUDGETS

STATE COUNCIL OFFICE ORGANIZATION

Idaho, Montana, Oregon, and Washington passed enabling legislation authorizing state participation on the Council. Two Council members are appointed by the governor of each state (Section 4 (a)(2)(B) of the Power Act). Each state Council office is an entity of its respective state government. Each state Council office goes through the same budget development process, which has legislative review and/or reporting requirements. The accounting systems are integrated with the state's accounting systems and are subject to examination by the state auditor, or in some instances, the central office of the Council provides the accounting and payroll-processing support for state Council offices. Supplemental budget requests, if required, would be subject to the formal budget amendment process of each state Council office. Support services and technical staff support directly funded by the Council's central office are included and displayed in each state office budget. The states of Oregon and Washington have Council offices in both the eastern and western portions of their respective states.

Each state individually budgets for those activities necessary to carry out that state's participation and responsibilities under the Act. These funds provide for the Council members' compensation, travel, staff support, and office expenses. Each state has the option to hire staff, to use outside contractors or the technical services of other state agencies to analyze the impact of the plan and

program on the state, to develop state public information and involvement programs, and for administrative support. State budgets can vary both in the "personal services" category and the "contracts" category, depending upon the type of Council organization in each state. Use of state energy agency and/or fish and wildlife agency staff provides Council members with technical support on state policies and issues related to the Council's fish and wildlife program and the power plan. Council members use their own staff for most technical review activities.

State Council offices carry out the following activities:

1. Represent state interests. Council members represent state interests as well as regional interests in all fish and wildlife and energy system matters. This involves establishing and maintaining close working relationships with entities within their states that have a stake in the outcome of the Council's planning efforts. These include, but are not limited to, entities that are operators of hydroelectric projects, public and private utilities, groups concerned with protection of the environment, state fish and wildlife agencies, energy regulatory agencies, and legislative and local government rulemaking bodies.

2. Technical review. Council members may require technical assistance and review capability to assess the impacts of regional issues that come before the Council on their state programs, laws, and practices. This technical review is provided by state Council staff and/or other state agency staff. Examples of regional Council issues that can

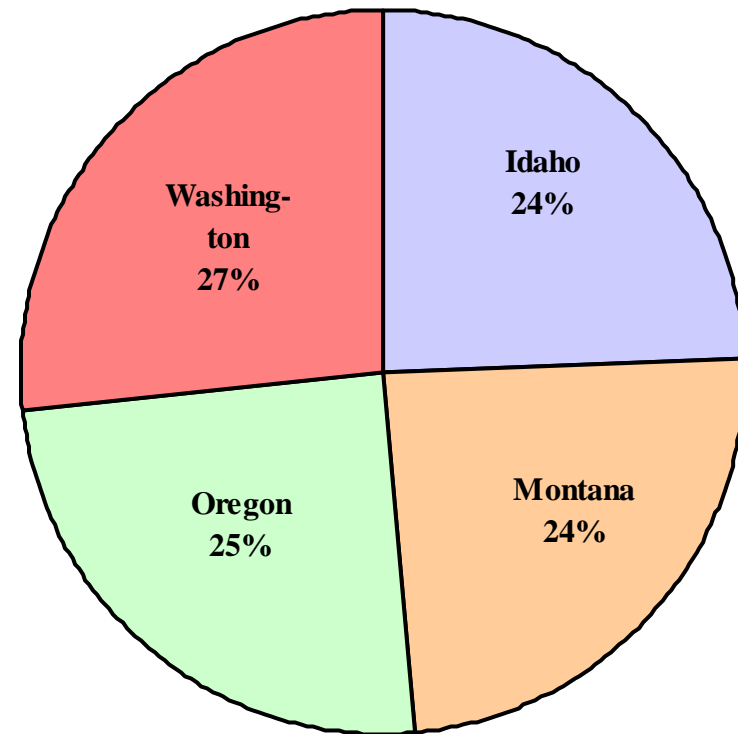
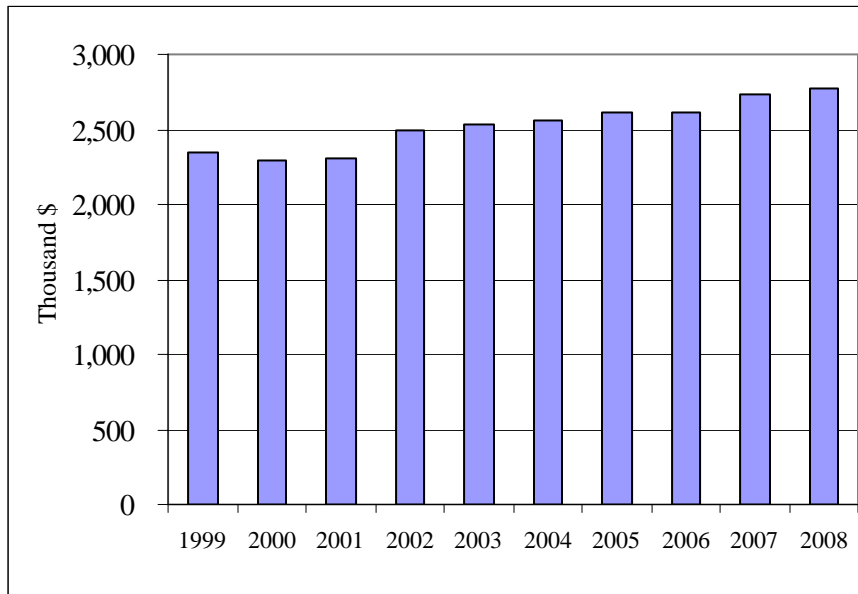
affect each state differently include: implementation of the protected-areas rules in the fish and wildlife program, hatchery and habitat projects, wildlife mitigation projects, and Columbia River operations for salmon recovery.

3. Public information and involvement. While the Council's central office is responsible for developing material for the Council's public information and involvement programs, each state implements public involvement activities that are focused on Council issues that have a specific impact in that state. In addition, each state may use local advisory committees and town hall meetings for consultations on certain aspects of the Council's planning. This also can involve preparation of information regarding statewide energy and fish and wildlife issues. State public information and involvement activities are provided by state Council staff or with the assistance of other state agencies.

4. Administrative support. Council members and their secretarial/clerical staff are provided office space and office services (telephone, supplies, copier, word processing) sometimes by a state agency such as the governor's office or energy office. Fiscal services such as payroll, accounts payable, budget, and audit also can be provided, although these are often provided by the Council's central office. Administrative support services are provided either on a direct-charge basis or through an approved indirect overhead rate.

Detailed budgets for each state Council office are shown in Tables 14 through 18.

Budget History (Figure 9)



FY08 Program Allocations
\$2,771,000

**Fiscal Year 2008
State Budgets (Table 14)
(000's omitted)**

	Idaho	Montana	Oregon	Washington	Total
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
PERSONNEL					
Salaries	\$367	\$357	\$413	\$455	\$1,592
Taxes, Insurance & Benefits	<hr/> 147	<hr/> 143	<hr/> 165	<hr/> 173	<hr/> 628
SUBTOTAL	\$514	\$500	\$578	\$628	\$2,220
TRAVEL	72	83	53	43	251
CONTRACTS	28	39	0	33	100
OTHER OPERATING EXPENSES	<hr/> 61	<hr/> 52	<hr/> 52	<hr/> 35	<hr/> 200
TOTAL	<hr/> \$675	<hr/> \$674	<hr/> \$683	<hr/> \$739	<hr/> \$2,771

Idaho (Table 15)
(000's omitted)

	FY05 Actual	FY06 Budget	FY06 Estimate	FY07 Budget	FY07 Revised	FY08 Budget
Compensation	\$357	\$349	\$353	\$356	\$360	\$367
Taxes, Insurance & Benefits	126	140	141	142	144	147
SUBTOTAL	\$483	\$489	\$494	\$498	\$504	\$514
 TRAVEL	 55	 69	 69	 73	 70	 72
 CONTRACTS	 15	 30	 25	 30	 33	 28
 OTHER OPERATING EXPENSES						
A. Employee Training	4	1	1	2	2	1
B. Office Supplies	7	5	5	7	7	7
C. Telephone	9	9	9	12	12	12
D. Postage	1	1	1	1	1	1
E. Office Rent	21	28	28	28	28	29
F. Dues/Subscriptions	1	1	1	1	1	1
G. Meeting Room Rental	10	1	1	1	1	1
H. Miscellaneous Expense	0	1	1	1	1	1
I. Repair/Maintain Equipment	19	4	4	4	4	4
J. Equipment Rental	2	2	2	4	4	4
SUBTOTAL	\$74	\$53	\$53	\$61	\$61	\$61
 TOTAL	 \$627	 \$641	 \$641	 \$663	 \$668	 \$675

* Idaho Council members receive technical and administrative support from four full-time positions. The positions primarily include energy and rates analyses, administrative program management, and secretarial support. Contract services provide for legal counsel and technical assistance when necessary. The Council office is in Boise.

Montana (Table 16)
(000's omitted)

	<u>FY05 Actual</u>	<u>FY06 Budget</u>	<u>FY06 Estimate</u>	<u>FY07 Budget</u>	<u>FY07 Revised</u>	<u>FY08 Budget</u>
Compensation	\$353	\$320	\$328	\$327	\$347	\$357
Taxes, Insurance & Benefits	120	128	129	131	139	143
SUBTOTAL	\$473	\$448	\$457	\$458	\$486	\$500
 TRAVEL	 66	 88	 83	 93	 83	 83
 CONTRACTS	 37	 30	 36	 35	 41	 39
 OTHER OPERATING EXPENSES						
A. Employee Training	0	0	0	0	2	2
B. Office Supplies	6	10	6	10	7	7
C. Telephone	8	10	9	21	10	10
D. Postage	2	1	1	1	1	1
E. Office Rent	16	16	16	21	17	17
F. Dues/Subscriptions	1	1	0	1	1	1
G. Meeting Room Rental	0	1	0	1	1	1
H. Miscellaneous Expense	0	1	0	1	1	1
I. Repair/Maintain Equipment	1	6	6	9	6	7
J. Equipment Rental	0	2	0	5	5	5
SUBTOTAL	34	48	38	70	51	52
 TOTAL	 <u>\$610</u>	 <u>\$614</u>	 <u>\$614</u>	 <u>\$656</u>	 <u>\$661</u>	 <u>\$674</u>

* Council members receive administrative and technical support on energy, fish and wildlife, public information and involvement activities from one part-time and two full-time positions. Other specialized services are contracted for and utilized on an as-needed basis. The Council office is in Helena.

Oregon (Table 17)
(000's omitted)

	<u>FY05 Actual</u>	<u>FY06 Budget</u>	<u>FY06 Estimate</u>	<u>FY07 Budget</u>	<u>FY07 Revised</u>	<u>FY08 Budget</u>
Compensation	\$362	\$393	\$394	\$402	\$405	\$413
Taxes, Insurance & Benefits	150	138	140	160	162	165
SUBTOTAL	\$512	\$531	\$534	\$562	\$567	\$578
 TRAVEL	 60	 51	 53	 50	 55	 53
 Contracts	 0	 0	 0	 0	 0	 0
 OTHER OPERATING EXPENSES						
A. Employee Training	0	0	2	0	2	0
B. Office Supplies	13	3	3	3	3	3
C. Telephone	9	18	10	19	10	11
D. Postage	1	1	1	1	1	1
E. Office Rent	30	31	32	31	33	34
F. Dues/Subscriptions	0	1	1	1	1	1
G. Meeting Room Rental	0	0	0	0	0	0
H. Miscellaneous Expense	0	0	0	0	0	0
I. Repair/Maintain Equipment	0	2	2	2	2	2
J. Equipment Rental	0	0	0	0	0	0
SUBTOTAL	53	56	51	57	52	52
 TOTAL	 <u>\$625</u>	 <u>\$638</u>	 <u>\$638</u>	 <u>\$669</u>	 <u>\$674</u>	 <u>\$683</u>

* Oregon Council members are state employees. They receive technical support through services from two and a half full-time positions. These support services also include assistance with public involvement activities. Two full-time positions provide administrative/secretarial support to the Council members. Some support services are provided by other state agencies. Council offices are located in Portland, Milton-Freewater, and Astoria.

Washington (Table 18)
(000's omitted)

	FY05	FY06	FY06	FY07	FY07	FY08
	<u>Actual</u>	<u>Budget</u>	<u>Estimate</u>	<u>Budget</u>	<u>Revised</u>	<u>Budget</u>
Compensation	\$404	\$397	\$434	\$405	\$447	\$455
Taxes, Insurance & Benefits	105	159	165	162	170	173
SUBTOTAL	\$509	\$556	\$599	\$567	\$617	\$628
 TRAVEL	 38	 47	 47	 47	 47	 43
 CONTRACTS						
A. Contract Services	0	6	6	0	0	0
B. Community Trade & Economic	26	39	0	39	0	0
C. EWU Indirect	22	27	26	26	24	26
SUBTOTAL	48	72	32	65	24	26
 OTHER OPERATING EXPENSES						
A. Employee Training	0	1	1	1	1	1
B. Office Supplies	4	8	8	8	8	6
C. Telephone	8	7	7	7	7	7
D. Postage	0	1	1	1	1	1
E. Office Rent	20	22	22	22	21	22
F. Dues/Subscriptions	0	1	1	1	1	1
G. Meeting Room Rental	0	1	1	1	1	1
H. Miscellaneous Expense	0	0	0	0	0	0
I. Repair/Maintain Equipment	1	7	4	7	4	3
J. Equipment Rental	0	0	0	0	0	0
SUBTOTAL	33	48	45	48	44	42
TOTAL	\$628	\$723	\$723	\$727	\$732	\$739

*Council members represent individually the eastern and the western sides of the state with one member being paid through Eastern Washington University, Cheney, Washington. Some support services are provided by other state agencies. Five full-time positions provide administrative and technical support, including research analysis, energy policy and economics, and fish and wildlife analysis. Council offices are in Vancouver and Spokane.

K. FISCAL YEAR 2007 REVISED BUDGET

The Fiscal Year 2007 revised budget has remained the same as the budget adopted in 2005.

CENTRAL COUNCIL BUDGET

Personal services

Personal services for the central staff have decreased \$166,000 through savings achieved through reorganization efforts in the Administrative Division.

Travel

The Fiscal Year 2007 travel budget is increased by \$16,000 to reflect current-level expenditures.

Contracts

The Fiscal Year 2007 contract budget is increased by \$34,000, which reflects the Council's need for additional analysis in conservation and demand forecasting models.

Other operating expenses

This category has increased by \$96,000. The increase reflects the Council's anticipated cost of acquiring modeling data updates; it also restores the IT Department's operating budget to reflect current level of service.

STATE BUDGETS

The Idaho Office revised budget for Fiscal Year 2007 (\$668,000) is increased by \$5,000, reflecting an increase in projected staffing costs.

The Montana Office revised budget for Fiscal Year 2007 (\$661,000) is increased by \$5,000 to reflect an increase in projected staffing costs.

The Oregon Office revised Fiscal Year 2007 (\$674,000) budget is increased by \$5,000 to reflect a projected increase in travel costs.

The Washington Office revised budget for Fiscal Year 2007 (\$732,000) is increased by \$5,000. This increase represents a shift in contracting costs associated with power planning analytical support.

Table 19 shows in detail the Fiscal Year 2007 budget revisions by expenditure category for each division and the state offices.

Categorical Comparisons (Table 19)
(000's omitted)

	COMPENSATION			TRAVEL			CONTRACTS			OTHER OPERATING EXP.		
	FY07	FY07		FY07	FY07		FY07	FY07		FY07	FY07	
	Budget	Revision	Change	Budget	Revision	Change	Budget	Revision	Change	Budget	Revision	Change
<u>CENTRAL OFFICE</u>												
Power Planning Division	\$1,443	\$1,429	(\$14)	\$45	\$50	\$5	\$100	\$156	\$56	\$37	\$60	\$23
Fish & Wildlife Division	1,196	1,208	12	71	71	0	200	188	(12)	8	8	0
Public Affairs Division	673	680	7	41	41	0	10	0	(10)	90	97	7
Legal Division	482	488	6	14	20	6	8	8	0	7	7	0
Administration Division	1,134	957	(177)	25	30	5	30	30	0	756	822	66
SUBTOTAL - CENTRAL	\$4,928	\$4,762	(\$166)	\$196	\$212	\$16	\$348	\$382	\$34	\$898	\$994	\$96
<u>STATES</u>												
Idaho	\$498	\$504	\$6	\$73	\$70	(\$3)	\$30	\$33	\$3	\$61	\$61	\$0
Montana	458	486	28	93	83	(10)	35	41	6	70	51	(19)
Oregon	562	567	5	50	55	5	0	0	0	57	52	(5)
Washington	567	617	50	47	47	0	65	24	(41)	48	44	(4)
SUBTOTAL - STATES	\$2,085	\$2,174	\$89	\$263	\$255	(\$8)	\$130	\$98	(\$32)	\$236	\$208	(\$28)
TOTAL	\$7,013	\$6,936	(\$77)	\$459	\$467	\$8	\$478	\$480	\$2	\$1,134	\$1,202	\$68

APPENDIX A. FISCAL YEAR 2007 REVISIONS

(000's omitted)

	BUDGET	REVISION	CHANGE
Compensation	\$3,520	\$3,401	(\$119)
Other Payroll Expenses	<u>1,408</u>	<u>1,361</u>	<u>(47)</u>
Total Compensation/Payroll	\$4,928	\$4,762	(\$166)
Travel	196	212	16
Contracts	348	382	34
Other Operating Expenses	<u>898</u>	<u>994</u>	<u>96</u>
Total Travel/Contract/Other	\$1,442	\$1,588	\$146
Idaho	\$663	\$668	\$5
Montana	656	\$661	5
Oregon	669	\$674	5
Washington	<u>727</u>	<u>\$732</u>	<u>5</u>
Total States	<u>2,715</u>	<u>2,735</u>	<u>20</u>
TOTAL	<u>\$9,085</u>	<u>9,085</u>	<u>\$0</u>

APPENDIX B. INFORMATION SYSTEMS

The Council began to develop its information systems capability in 1982 with the installation of the comprehensive computer models necessary to draft the first power plan. Since then, the Council has continued to invest in computing equipment and software programs to support power system and fish and wildlife computer models and databases, as well as the Council's growing reliance on computers for business operations and on desktop publishing, networking, and the Internet for public information and involvement activities.

The Council has integrated computers extensively into its planning activities and support services. Computers give the Council the planning capability it needs to carry out its functions and responsibilities with minimum staffing levels and limited outside contracting, as well as the communications power to interact with interested individuals, agencies, and entities around the world. Power Division staff use the Council's networking capabilities to develop, monitor, and support complex computer models and extensive databases for system analysis, decision analysis, and statistical analysis. Fish and wildlife staff coordinate with related agencies, monitor recovery programs, real-time river information, and Bonneville spending, and run fish-production and fish-passage models as well as river-reach and system-production planning databases. The Council also has developed computer networking capability with links to Bonneville, certain agencies and tribes, utility organizations, state Council offices, and the Internet.

Major applications

Examples of major information systems include:

- Fish-recovery projects monitoring process
- Council Web site, electronic mail service and ftp document access
- System Analysis Model and its descendents
- GENESYS resource analysis model - to evaluate system reliability.
- OLIVIA economic portfolio risk analysis
- Data bases - conservation measures, river reaches, hydropower system, administrative records, and mailing lists.

Equipment

The Council uses a network of personal computers and a cluster of Windows servers and data storage devices to support Council programs. Several laser and color printers support the Council's publication activities. These systems communicate through a network that also connects to computers at Bonneville, and, via the Internet, to the outside world.

The state offices also use networked personal computers for both administrative and technical support to their Council members and staff. All the state offices have access to the Internet for electronic mail and data exchange with each other and with other state agencies.

Software

The Council staff uses computers in nearly all aspects of daily work. To maintain and improve the value of staff involvement in regional planning and evaluation efforts, data processing

staff plan regular updates to operating system and application software to ensure compatibility with other regional entities.

Over the past several years, staff members have exchanged single-focus, server-based applications for more powerful, Windows-oriented, multitasking hardware and software packages that improve staff productivity and enhance the quality of Council products. In recent years, these improvements have extended to the World Wide Web, which the Council uses extensively to make data, models, and issue papers available to anyone with Internet access. Even with these upgrades, staff still retains the ability to use existing data bases and models on which the planning function still relies.

Computer systems planning

The Council staff identifies long-range data systems support requirements based on three-year data processing plans. The current data processing plan includes oversight of a major facilities upgrade to Council public meeting space, addition of server and website for PTR (formerly C&RD), continued planning for an organization-wide upgrade to the current suite of Microsoft Office applications as well as improvements to data storage, and exploring new technologies available for staff while traveling.

All costs associated with information systems are aggregated in the following tables. The budgets for Fiscal Year 2007 revised and Fiscal Year 2008 reflect current-level staff services with some adjustment for contracted software/hardware support. Any costs associated with the replacement of current hardware/software systems will be accomplished within existing computer funding levels and/or by Council authorization for reprogramming of unexpended funds in other budget categories.

Expenditures by Category (Table B-1)
(000's omitted)

	FY06 Estimate	FY07 Revised	FY08 Budget
Compensation	<u>\$130</u>	<u>\$140</u>	<u>\$146</u>
Taxes, Insurance & Benefits	<u>52</u>	<u>56</u>	<u>59</u>
 SUBTOTAL	 \$182	 \$196	 \$205
 TRAVEL			
Regional	4	3	3
Out-of-Region	<u>0</u>	<u>0</u>	<u>0</u>
 SUBTOTAL	 \$4	 \$3	 \$3
 CONTRACTS			
(See detail Table B-2)	0	0	0
 OTHER OPERATING EXPENSES			
(See detail Table B-2)	<u>153</u>	<u>149</u>	<u>149</u>
 TOTAL	 <u>\$339</u>	 <u>\$348</u>	 <u>\$357</u>

Supplemental Expenditures (Table B-2)
(000's omitted)

	<u>FY06 Estimate</u>	<u>FY07 Revised</u>	<u>FY08 Budget</u>
I. CONTRACTS			
A. Hardware/Software Support	<u>0</u>	<u>\$0</u>	<u>\$0</u>
TOTAL	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
II. OTHER OPERATING EXPENSES			
A. Equipment Maintenance Agreements	\$15	\$20	\$20
B. Staff Development	4	4	4
C. Space	5	5	5
D. Supplies	35	40	40
E. Communications	15	20	20
F. Capital Investments:			
1. Hardware	65	45	45
2. Software	14	15	15
3. Site	0	0	0
G. Temporary Technical Support	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$153</u></u>	<u><u>\$149</u></u>	<u><u>\$149</u></u>

APPENDIX C. FISCAL YEAR 2008 BUDGET COUNCIL SHOWING

I. THE NORTHWEST POWER ACT

Section 4(c)(10)(A) of the Northwest Power Act directs the administrator of the Bonneville Power Administration to pay the expenses the Council determines are necessary or appropriate for the performance of its functions and responsibilities, including reimbursement to those states with members on the Council. This section also establishes a funding limitation equal to 0.02 mills multiplied by the kilowatt-hours of firm power forecast to be sold by Bonneville during the year to be funded. Upon an annual showing by the Council that such limitation will not permit the Council to carry out its functions and responsibilities under the Act, the administrator may raise such limit to any amount not in excess of 0.10 mills. The literal interpretation of the word “showing” requires that the Council provide evidence that: 1) substantiates that annual funding in the amount provided by the 0.02 mills of firm forecast power sales will not be adequate to carry out its functions under the Act; and 2) explains the basis on which additional funding is required. The Council’s budget document is intended to provide sufficient information to meet this criteria. The organization of the budget document and the level of detail provided shows how the Council intends to use the funding provided to carry out its major responsibilities under the Act.

In Fiscal Year 2008, based upon Bonneville’s forecast of firm power sales (as of 03/08/2006), the 0.02-mill funding level is \$1,922,000. The 0.10-mill funding limit is \$9,609,000. The funding requirement, as determined by

the Council, for Fiscal Year 2008 is \$9,276,000, which is equal to 0.097 mills of forecast firm power sales based on the following Council functions and responsibilities.

II. COUNCIL FUNCTIONS/RESPONSIBILITIES

The Council’s minimum responsibilities under the Act fall into five general categories:

1. Northwest Power Plan. Adopt and periodically amend a regional conservation and electric power plan that includes: energy conservation programs, 20-year forecasts of electric energy demands, 20-year power resource forecasts, cost-effective methods for providing regional reliability and reserves, and methods for determining quantifiable environmental costs and benefits (Sections 4(d) and 4(e) of the Act).

2. Columbia River Basin Fish and Wildlife Program. Develop, adopt, and periodically amend the program to protect, mitigate, and enhance fish and wildlife affected by development and operation of hydroelectric projects in the Columbia River Basin. Report annually to Congress on the effectiveness of the program and the extent to which the program is being implemented, and assist development of program amendments (Sections 4(h), 4(g) and 4(i)).

3. Public information and public involvement. Provide for the participation of the Pacific Northwest states, local governments, consumers, customers, users of

the Columbia River system (including federal and state fish and wildlife agencies and appropriate Indian tribes), and the public at large in planning for the Northwest's electric power and protection of Columbia River Basin fish and wildlife affected by hydropower. Develop and maintain comprehensive programs to inform the public of major regional power and fish and wildlife issues (Sections 2(3) and 4(g)).

4. Other responsibilities. In addition to the above responsibilities, the Council is directed to establish voluntary advisory committees it determines are necessary to assist in the development, collection, and evaluation of statistical, biological, economical, social, and environmental information relevant to the Council's development and amendment of a regional conservation and electric power plan and fish and wildlife program (Section 4(c)(11) and (12)).

The Council is required to conduct public meetings throughout the region as part of its process for developing and amending the regional power plan and fish and wildlife program (Section 4(d)(1)).

5. Organization requirements. In addition to the Council determining its funding requirements, the Act also provides that the Council shall determine its organization and prescribe its practices and procedures for carrying out its functions and responsibilities under the Act (Section 4(c)(4)). As part of its budget-development process, the Council publishes for public review and comment its organization chart, practices, procedures, and funding requirements associated with the above responsibilities. The Council also distributes for public review and comment its annual work plans for power planning and fish

and wildlife program activities. Following public comment, an annual report describing the Council's activities is published and forwarded to Congress.

III. STATES' PARTICIPATION

The first component of the Council's budget is the funding necessary to support each state's participation as provided by the Act. This portion of the Council's budget covers the funding for the Council members' operation of their state offices, local public involvement efforts, and technical support necessary to provide a suitable state review capability of those energy and fish and wildlife issues having a particular impact on the respective states. Oregon and Washington require that the Council offices be established in both the eastern and western portions of the states.

The states' portion of the budget for Fiscal Year 2008 is \$2,771,000, equivalent to 0.029 mills in firm power sales. The line item expenditure projections and a description of state Council activities is contained in Section J of this budget document.

IV. CENTRAL COUNCIL – POWER DIVISION

The regional electric power and conservation planning responsibilities established by the Act are carried out by a centralized technical staff. The Power Division analyzes changing conditions and monitors implementation of the power plan. Outside contracting occurs to a limited extent to augment research done by other entities or to provide technical capability that the Council does not possess. The Council conducts independent regional analysis by using computer modeling and analytical methods with data

collected by outside sources (advisory committees are utilized to the extent appropriate).

The power planning portion of the Council's Fiscal Year 2008 budget is \$1,733,000, equivalent to 0.018 mills in firm power sales. The line item expenses for power planning and a description of program actions are described in Section E of this budget document.

V. CENTRAL COUNCIL – FISH AND WILDLIFE DIVISION

The activities necessary for development of the fish and wildlife program, monitoring its implementation, reviewing actions of Bonneville and others to determine consistency with the program, and developing program amendments are conducted by a central staff of fish and wildlife specialists (excluding management and administrative support). The fish and wildlife planning efforts of the staff focus on mainstem passage and flows, system/subbasin production planning, research coordination, new hydropower development and actions by the Federal Energy Regulatory Commission, wildlife mitigation, resident fish and fish substitutions, and habitat and tributary passage.

Monitoring and evaluation of fish and wildlife program effectiveness, as well as facilitating the resolution of barriers to implementation of specific program measures, are two of the most significant activities of the Fish and Wildlife Division.

The fish and wildlife portion of the Council's budget for Fiscal Year 2008 is \$1,516,000, equivalent to 0.016 mills in firm power sales. The line item expenditure projections and a description of the Fish and Wildlife Division

programs are contained in Section F of this budget document.

VI. CENTRAL COUNCIL – PUBLIC AFFAIRS DIVISION

The Council's Public Affairs Division develops and maintains comprehensive programs to inform and involve the public in major regional power and fish and wildlife issues. This includes consultations with Bonneville, Bonneville customers, fish and wildlife agencies, Indian tribes, and others. Public affairs staff also: 1) coordinate contacts with Congress; 2) monitor federal appropriations and budget committee actions to implement the fish and wildlife program and the energy plan; 3) provide information to congressional committees; and 4) coordinate Council testimony before House and Senate committees.

The Council maintains an extensive mailing list (more than 15,000 individuals and organizations) as a major part of its outreach efforts to inform interested parties and to solicit their participation in the Council's regional planning activities.

The principal way in which the Council attempts to reach the public is through its publications. These include a quarterly publication, *Council Quarterly*, an annual report to Congress, an annual report to the Governors on Bonneville spending to implement the fish and wildlife program, summaries of current Council issues, and the Council's public meeting agenda. The Council also reaches the public through the various media, including briefings for editors/reporters, Council meeting press packets, news releases, feature stories in a variety of publications and advertising the availability of the

Council's major documents. The Council maintains a Web site (www.nwcouncil.org) where agendas, summaries of issues and activities, and all major Council publications are available.

The Public Affairs Division portion of the Council budget for Fiscal Year 2008 is \$834,000, equivalent to 0.009 mills in firm power sales. Line item expenditure projections and program descriptions for public affairs are contained in Section G of this budget document.

VII. CENTRAL COUNCIL – LEGAL DIVISION

Legal services are provided by three attorneys who provide administrative support and general legal advice, as well as support for the power planning, fish and wildlife, and public information and involvement programs.

Legal advice and representation, as well as the development of Council rules and procedures, including the negotiation of contracts, are provided by the Legal Division. The division participates in scheduled revisions of the energy plan and the fish and wildlife program by providing legal counsel at public hearings and consultations with interested parties, assisting and drafting amendments, and maintaining the administrative record of Council actions and rulemakings.

The Legal Division serves a necessary role in helping oversee the implementation of the energy plan and the fish and wildlife program by Bonneville, the U.S. Army Corps of Engineers, the Bureau of Reclamation, the Federal Energy Regulatory Commission, and other agencies and utilities. Legal representation of the Council in appeals of

its plan, program, and other actions is provided, although no funding is provided for unanticipated litigation.

Administrative law support is necessary for administrative proceedings and addressing institutional legal questions, as well as ensuring that the Council adheres to the provisions of the Sunshine Act, the Freedom of Information Act, Administrative Procedures Act, government contracting practices, administrative record, and advisory committees.

The legal services portion of the Council's budget for Fiscal Year 2008 is \$530,000, equivalent to 0.005 mills of forecast firm power sales. The Legal Division projection of line item expenditures and a description of specific activities are presented in Section H of this budget document.

VIII. CENTRAL COUNCIL – ADMINISTRATIVE DIVISION

The Administrative Division provides the executive direction for all central Council operations and administrative and financial support for the Council.

The office of the executive director provides the direction for all staff work on Council programs and for program support services. Financial and administrative services are provided, including budget development, audits, contract management, accounting/payroll systems, and personnel administration.

The cost of management services and supplies that are applicable to all divisions are aggregated in the Administrative Division budget. The major expense components are office rent, telephone, office supplies,

postage/mailing, equipment rental, audit fees, insurance, and computer support services.

The Administrative Division portion of the Council's budget for Fiscal Year 2008 is \$1,535,000 equivalent to 0.016 mills of firm power sales. The Administrative Division line item expenditure projection and activity descriptions are contained in Section I of this budget document.

IX. CENTRAL COUNCIL – INFORMATION SYSTEMS

The Council has fostered a high degree of computer integration with its planning activities and support services. Computer systems and software are necessary to give the Council the capability to carry out its functions and responsibilities with minimal staffing levels and limited outside contracting. Complex computer models and extensive data bases are operated and maintained for system analysis, decision analysis, load forecasting, and statistical analysis, as well as for hydropower system, power resource and conservation data bases. Fish and wildlife planning uses fish-production and fish-passage models, as well as river reach and system-production planning databases. The Administrative Division uses the Council's computer capability for maintaining administrative records requirements, for word processing, and for all accounting/budget systems. The Council also has developed a computer communications network capability that allows computer linkage with Bonneville, certain agencies and tribes, utility organizations, state Council offices, and the Internet.

The information services portion of the Council's budget for Fiscal Year 2008 is \$357,000, equivalent to 0.004 mills of forecast firm power sales. These costs are included in the Administrative Division's budget. A more detailed description of the information systems function is contained in Appendix B of this budget document.

X. SUMMARY

Based on this showing and the supporting detailed information contained in this budget document, the Council has determined that the 0.02 mill limitation will not allow the Council to carry out its functions and responsibilities under the Act and that the following budget expenditures proposed for Fiscal Year 2008 are necessary and appropriate.

	FY 2008	
States participation	\$2,771,000	0.029 mills
Central Council:		
Power Planning	1,733,000	0.018 mills
Fish and Wildlife	1,516,000	0.016 mills
Public Affairs	834,000	0.009 mills
Legal	530,000	0.005 mills
Administrative	<u>1,892,000</u>	<u>0.020 mills</u>
TOTAL	<u>\$9,276,000</u>	<u>0.097 mills</u>

Budget History (Figure 10)

