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Ed Bartlett
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December 3, 2002

MEMORANDUM

TO: Council Members

FROM: Mark Fritsch

SUBJECT: Funding Request - Project 1996-011-00, Walla Walla Juvenile and Adult Passage Improvements

Action

On November 25, 2002 the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) asked to be on the December agenda for a budget modification for project 1996-011-00, *Walla Walla Juvenile and Adult Passage Improvements* to complete construction of the Milton Ditch consolidation project. Council staff will present this request to the Committee and Council at your meeting in Portland on December 10 -13, 2002.

Recommendation

Council staff recommends that the Council not approve this request at this time. It should be stressed to the sponsor that this decision is based in large part on the major programmatic and basinwide issue associated with the uncertainty about funding that may be made available by Bonneville in FY 2003 in light of its current financial situation. A second major reason that the staff continues to believe that this funding should not be provided at this time is because this is a major financial commitment that would precede the development of a subbasin plan and the definition of the management priorities that will be developed in light of that plan.

Background

The project began in Fiscal Year (FY) 1996 as two separate projects, *Adult Passage Improvements in the Walla Walla River* (Project 1996-012-00) and *Walla Walla River Juvenile Screens and Traps* (Project 1996-011-00). The two projects were combined under project 199601100 in FY 2000 and renamed *Walla Walla River Juvenile and Adult Passage Improvements*. Project costs have totaled \$6,400,000 through FY 2001, with an average annual cost of \$1,066,667.

Since 1996, this project has funded the removal of Marie Dorian Dam and Maiden Dam, the construction of Burlingame Dam fish ladder, a steep pass at Cemetery Bridge, a new ladder and

adult trap at Nursery Bridge Dam, and the consolidation and screens for Garden City/Lowden II ditches. In addition, the project has funded construction of new juvenile fish screens at Burlingame Dam; new screens, a bypass, and juvenile trap at Little Walla Walla Diversion; and has provided cost share funding for two smaller fish screening projects. The project produced a feasibility study of additional passage needs in the basin and has funded the design of adult passage improvements at Hofer Dam, juvenile screens for Eastside/Westside Ditch, and the consolidation of Milton Ditch with Little Walla Walla River. The project also provides funding for the operation and maintenance of these BPA facilities once constructed.

The project has also had a history of construction delays, cost overruns, and large unspent balances carried forward with the project from year to year. The project budget and its unspent portions have never been fully accounted for or explained as the project has progressed. Priorities for passage improvements have appeared to change over the lifespan of the project, without a full explanation for the reason for the change.

For the Columbia Plateau Provincial Review, concluded in November 2001, the CTUIR proposed, as part of this project, to complete the remaining major fish passage improvements. They requested \$6.356 million over the three-year period (FY 2002-2004). Starting in Fiscal Year 2005, the proposed budget would be reduced to \$385,000 per year to cover Operations and Maintenance and Monitoring and Evaluation of all completed facilities and to maintain a small construction cost sharing ability of \$100,000 to address smaller passage projects.

The Independent Scientific Review Panel provided a “fundable” recommendation for the project reasoning that it would provide safe passage for migrating juvenile and adult salmonids in the Walla Walla Basin through construction and maintenance of passage facilities at irrigation diversion dams and canals. Bonneville Power Administration, in comments to the Council, considered the project to be a very expensive undertaking that was not linked to the stream flows in the subbasin and recommended that the effort be defined and presented through the subbasin planning process for the Walla Walla.

On November 8, 2001 the Council recommended to the Bonneville Power Administration that continuing implementation of the project should be addressed as part of the subbasin planning effort and funds should be provided to address anticipated cost share needs of the Corps of Engineers, Operation and Maintenance, Monitoring and Evaluation (Fiscal Year 2002 Section 5, objective 1 task f; Section 6, objective 1 task g, and Section 7, objective 1 task h) for a total of \$465,300 in FY02, \$481,120 in FY03 and \$497,478 in FY04.

On November 15, 2001 staff met with the CTUIR after the CTUIR submitted a request to restore the entire proposed funding allocation from the Columbia Plateau for the project, largely to complete the Milton Ditch consolidation. Staff identified several options for pursuing the completion of the project including the use of the large amount of carry forward funds.

On July 3, 2002, Columbia Basin Fish and Wildlife Authority (CBFWA) received a request from the CTUIR for a within-year budget modification request for the Walla Walla Juvenile and Adult Fish Passage Improvements Project 1996-011-00 be added to the agenda for the quarterly budget review meeting on July 10, 2002. In addition, the tribe requested that the proposal be reviewed through the CBFWA process with recommendations provided to the Council. The CTUIR requested the following:

1) Expand the approved scope of the FY2002 project to include continued construction of large passage projects that are ready for implementation.

2) Increase project budget levels by \$1,177,585 and \$1,137,022 in FY 2003 and 2004 respectively.

CBFWA action on this request was delayed, as has been the case with other within year reallocations request, due to the current lack of certainty regarding the allocation of the FY 2002 uncommitted funds. CBFWA has not been recommending within year reallocations pending a more definite understanding of what amounts remain in the Bonneville unallocated placeholder.

By early August 2002, due to the delay in receiving a CBFWA recommendation, the sponsor requested an emergency action from the Council to modify the scope of their project to purchase capital construction materials with carry forward funds, so that cost share opportunities could be pursued until a funding packet could be addressed.

At its August 2002 meeting, the Council took a favorable action on this request for a scope modification for the project to purchase pre-construction materials for the Milton Ditch consolidation project (see attachment 1). The Council recognized the broad public support for the Milton Ditch screening, and the biological benefits of eliminating a gravel push-up dams, but emphasized that project sponsors must seek cost share opportunities before the Council would proceed with any further consideration of funding the construction activities associated with Milton Ditch.

In November 2002, Gary James, Fish Program Manager for the CTUIR, appeared before the Fish and Wildlife Committee to update them on the status of Milton Ditch. Mr James made a request, at that time, for the Council to approve funding the project from Bonneville's unallocated placeholder, prior to a favorable recommendation from the Columbia Basin Fish and Wildlife Authority. Gary cited the need to proceed with Milton Ditch consolidation during the dewatered period and cited the need for Council approval to commence contracting to enable construction to take place.

At the time of his presentation, Mr James stated that he had in-kind contributions from the irrigation districts associated with the project of \$36,779 and a request pending, but not yet approved, with the Oregon Watershed Enhancement Board for \$208,000. The Tribe sought \$795,354 in Fish and Wildlife Program Fiscal Year 2003 funds to complete the Milton Ditch project. They had identified available funding in their existing contract of \$734,415 for use in the project, for a total cost (including cost share) of \$1,774,548.

On November 25, 2002 Council staff received an additional request from the CTUIR for \$764,700 additional within year funding to allow for completion of construction of the Milton Ditch consolidation project (see attachment 2).

Analysis

There is no doubt that the current project presents a passage hazard to endangered summer steelhead and has a biological impact on all fish species migrating past this diversion in the Walla Walla River. The priority of the project in addressing the overall impacts to fish in the Walla Walla, however, remains largely undefined and will continue to remain undefined until a subbasin plan, as

requested in the Columbia Plateau Provincial Review, identifies the priority strategies and actions that must be taken to address fish and wildlife impacts in the Walla Walla River.

The Council staff is troubled that the within year requests made have not clearly confirmed or explained the discrepancies regarding the total cost of the Milton Project.¹ Staff is further concerned about the lack of clarity regarding the specific project that these requested funds would be used for, especially in relation to the specific approval that was made by the Council on August 14, 2002. This lack of clarity regarding the project elements (e.g. total costs project elements) was the foundation for the decision made during the provincial review and reflects the running theme with this project. In addition, it is unclear if the cost of pre-construction materials, approximately \$156,120², was deducted by Bonneville from the carry forward funds associated with the project in light of the Council's authorization in August.

In August, the Council conditioned future funding on the provision of significant cost share. Many other irrigation diversions in the Columbia Basin remain passage barriers to fish, yet those irrigation companies are not seeking program funds to address their diversions. The Council believed a significant cost share would indicate the seriousness of the project sponsors intent to complete the project. Though the current request anticipated a cost share of \$208,000 from the Oregon Water Enhancement Board (OWEB), it has been brought to our attention that the OWEB Regional Board turned down the request to fund this proposal.

The total request before the Council is for \$764,700 with carryover funds making up the difference to construct the Milton Ditch consolidation element of this project for a total cost of \$1,405,000. The budget breakdown as provided does not deduct the purchase of construction materials as approved by the Council in August for \$108,000 (adjusted) that is currently in contracting at Bonneville. Therefore, the total corrected amount needed to complete the construction of the Milton Ditch consolidation project is \$1,297,000. This is substantially greater than the \$764,700 currently being requested³.

The other major issue is that Bonneville is completing budget analysis to determine available funding for FY 2003. The Columbia Basin Fish and Wildlife Authority is not forwarding any new funding recommendations until Bonneville's ability to fund new work is defined. In the meantime, there are numerous project sponsors who want the Council to consider their funding needs, including several capital projects. The staff recommends that this request be considered in competition with other funding needs and not prior to those other needs being identified.

¹ Is the cost of the project \$1,077,705 (per July 3, 2002, November 6 and 7, 2002, and November 25, 2002 Budget Modification Request Form) or \$1,250,964 (as reflected in the August 2002 alternative funding alternatives) or \$1,405,000 (as reflected in attachment #3 of the November 25, 2002 request).

² Information taken from a spreadsheet provided as part of the August decision.

³ It should also be noted that current balance in the projects contract is estimated to be \$178,000 (as of 11-26-02).

Attachment 1: Decision document presented to and approved by the Council on August 14, 2002 regarding a within-year scope modification for the *Walla Walla Juvenile and Adult Fish Passage Improvements, Project 199601100*.

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August 7, 2002

MEMORANDUM

TO: Council Members

FROM: Mark Fritsch

SUBJECT: Walla Walla Juvenile and Adult Passage Improvements, Project Number: 1996-011-00

Action

The Confederated Tribes of the Umatilla Indian Reservation have requested a within-year scope modification for the *Walla Walla Juvenile and Adult Fish Passage Improvements, Project 199601100* to purchase pre-construction materials for the Milton Ditch consolidation project. Council staff will present this request to the Committee and Council at your meeting in Helena on August 13 and 14, 2002.

Recommendation

Council staff recommends approval of this scope change to for the FY2002 project recommendation in order to purchase pre-construction materials for the Milton Ditch consolidation project. This approval is conditioned with the understanding that it represents no obligation to authorize additional monies to the project.

Background

In the 1990's, CTUIR and ODFW along with many other agencies began implementing fisheries restoration activities in the Walla Walla Basin. An integral part of this effort, as outlined in Section 7.11B of the 1994 Fish and Wildlife Program, is to alleviate the inadequate migration conditions in the basin. The project began in FY 1996 as two separate projects, Adult Passage Improvements in the Walla Walla River (#9601200) and Walla Walla River Juvenile Screens and Traps (#9601100). The two projects were combined under project 9601100 in FY 2000 and renamed Walla Walla River Juvenile and Adult Passage Improvements. Project costs have totaled \$6,400,000 through FY 2001.

The CTUIR had proposed, as part of the Columbia Plateau Provincial Review, to complete the remaining major fish passage improvements and requested \$6.356 million over the three-year period (FY 2002-2004). Starting in Fiscal Year 2005, the budget was reduced to \$385,000 per year to cover

O&M and M&E of all completed facilities and to maintain a small construction cost sharing ability of \$100,000 to address smaller passage projects.

The Council did not support the level of funding proposed by CTUIR and recommended as part of the Columbia Plateau Provincial Review, concurring with Bonneville Power Administrations findings, that continuing implementation of the project should be addressed as part of the subbasin planning effort. Therefore, the Council recommended funding this project to address anticipated cost share needs of the Corps, Operation and Maintenance, Monitoring and Evaluation (Fiscal Year 2002 Section 5, objective 1 task f; Section 6, objective1 task g, and Section 7, objective 1 task h) and applied the 3.4 % rule to the base budget of \$450,000 for the out years.

The Milton Ditch project mentioned above was next-in-line in priority for implementation. This request seeks approval to utilize existing FY2002 money to purchase pre-construction hardware (special ordered pumps, piping, etc.) now so products can be received and actual construction completed by winter 2003. Per a meeting⁴ and teleconference⁵ between tribal and Council staffs it was discussed that this scope change will allow equipment to be ordered that is time sensitive to the anticipated construction work window of 2003 and, more importantly, it will allow for the continuation of their pursuit of cost share opportunities. In addition, it was made very clear to the Tribal staff that this scope change by no means obligates a future intention of the Council to recommend funding for the completion of the Milton Ditch or any other activity associated with this project.

Analysis

The intent of the Council's decision about this project for the Columbia Plateau Provincial Review was not to stop all activities associated with the project, but to frame the goals and objectives of the project in the context of Walla Walla basin needs. Therefore, deferment to the subbasin plan would allow the sponsors to frame the priorities in the basin as it relates to the Walla Walla project. Letters of support have been received from the Walla Walla Basin Watershed Council, USFWS - Upper Columbia Fish and Wildlife Office, and from Oregon State Senator David Nelson. This support for the Milton Ditch recognizes the efforts by the sponsors to seek cost shares, but also demonstrates the local support for this element of the project. There is broad public support for the Milton Ditch screening, and the biological benefits of eliminating a gravel push-up dam are tangible, but project sponsors must seek cost share opportunities before the Council will proceed with any further consideration of funding the construction activities associated with Milton Ditch.

⁴ Meeting on August 2, 2002 between Carl Scheeler (CTUIR) and Council staff Doug Marker, Mark Fritsch and Karl Weist (by phone).

⁵ Teleconference on August 6, 2002 between Gary James (CTUIR), Carl Scheeler and Council staff (Mark Fritsch).

Attachment 2: Request received (via e-mail) on November 25, 2002 from Confederated Tribes of the Umatilla Indian Reservation regarding a budget modification for the Walla Walla Juvenile and Adult Fish Passage Improvements, Project 199601100 (includes only the attachment outlining the anticipated cost share and budget breakdown).

November 25, 2002

Mark Fritsch
Northwest Power Planning Council
851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204

RE: Within Year Budget Modification Request for Walla Walla Juvenile and Adult Fish Passage Improvements (#199601100)

Dear Mr. Fritsch:

The CTUIR is requesting that the NPPC approve \$764,700 additional within year funding to allow for completion of construction of the Milton Ditch consolidation project near Milton Freewater, Oregon. This request is slightly less than previous estimates due recent adjustments resulting from contacts with the project COTR and engineer. The additional information the Council requested on construction cost breakdowns at the November 12, 2002 meeting has been provided by the project construction engineer and is attached. Various other files are attached (which you may already have) to provide project background and need. Other project #199601100 components (besides Milton Ditch) originally proposed for construction in FY2003 are not being requested for funding additions at this time. As mentioned to the NPPC, this action is time sensitive as the limited construction window during the irrigation down-season is now through February.

A brief history regarding the proposal and review process of this project follows:

- ? April 2001 - Project proposed by CTUIR as part of Columbia Plateau provincial review
- ? July 2001 - Project presentations and field reviews given for ISRP
- ? July 2001 - Columbia Plateau project reviews conducted by CBFWA fish managers
- ? August 2001 - ISRP provides "agree fundable" project recommendation to NPPC
- ? August 2001 - CBFWA recommends project to NPPC as high priority for funding
- ? November 5, 2001 - NPPC sends fish and wildlife managers FY 2002-2005 Columbia Plateau budget recommendations being made to the NPPC for consideration of action at November 7 and 8, 2001 Council meeting. Funding recommendation for this project in FY 2002 was slashed from the ISRP and CBFWA supported \$2.85M down to \$465K. (approximately 16% of the amount proposed).
- ? November 7&8, 2001 - Team of CBFWA managers testify to NPPC to identify problems (such as this project) with the Columbia Plateau budget recommendations and propose to wait 30 days to work things out before making a funding decision that would impact three years. NPPC adopts Columbia Plateau budget as proposed by staff and puts a freeze on new construction under project #199601100.
- ? Nov - Dec 2001 - CTUIR technical and policy representatives meet with NPPC (Council members, technical and legal staff) and BPA (Administrator, top staff and COTR) to address immediate need for increased funding to meet 2002 Milton Ditch construction widow requirements. Requests were unsuccessful due to proclaimed funding limitations.

CTUIR was directed to seek funding later through the within year budget modification process.

- ? Dec - March 2002 - Scheduled construction of Milton Ditch project was cancelled due to lack of funding approval.
- ? March 2002 - BPA provided final Columbia Plateau project funding recommendations based on an individual project review process separate from the ISRP/NPPC/CBFWA processes. BPA supported the reduced project funding levels as recommended by the NPPC and stated that additional funding needs should be addressed through the within year funding reallocation process.
- ? Dec 2001 - November 2002 - Numerous inquiries and letters of support for funding the Milton Ditch project were submitted to NPPC and BPA by tribes, irrigation districts, watershed council, federal agencies administering ESA, State Senator, US Senator, etc.
- ? July - Aug 2002 - CTUIR seeks additional Milton Ditch project funding by submitting old and new within year budget modification request forms to CBFWA with copies to NPPC (see attachments). Although initial ISRP project concerns were satisfactorily addressed by CTUIR, the NPPC and BPA had raised additional project review questions. These were addressed by CTUIR as an attachment to the within year budget modification request (see attached file).
- ? August 2002 - NPPC approves project #199601100 scope change to lift the previous construction limitation and allow existing project money to be used to purchase pre-construction hardware (pumps, etc.). NPPC did not approve additional construction funding needed and said cost shares would need to be sought.
- ? October 2002 - CTUIR was denied getting the Milton project construction funding request on NPPC meeting agenda because NPPC staff indicated that a CBFWA letter on the recommended use of the "unallocated placeholder" was first required.
- ? November 2002 - CTUIR, WW Irrigation District, NMFS and USFWS (letter) gave a power point presentation at the NPPC meeting regarding the Milton project issues, urgency, cost shares, etc. The agenda item was intended to be "update only" but CTUIR also asked the NPPC for construction funding support due to: 1) The timing urgency and possibility of missing the winter construction window again; 2) The project wasn't new to anyone and all issues that we were aware of in the last year and a half had been thoroughly addressed, including the requested cost share information; 3) Funding for this capital project was denied a year ago due to a perceived budget shortage when in reality, we find out that only 6 million out of an annual BPA capital project target of \$36M has been spent in FY2002; and 4) Dual fish and agricultural project support and benefits (including two ESA listed species) are likely unmatched by any other fish screening project in the entire Columbia Basin.

As you can see, this project has been through the "process mill". Once again, CTUIR would like to request the NPPC include the Milton Ditch consolidation project on the earliest possible Council agenda and make a recommendation to support the additional \$764,700 needed to complete construction this winter. A timely correspondence must also be forwarded to BPA so a green light can be relayed to the project construction management firm which is ready to go. Please let me know if any additional information is needed. Thanks, GJames

**WALLA WALLA JUVENILE AND ADULT FISH PASSAGE IMPROVEMENTS Project
#19901100**

COST SHARES FOR MILTON PROJECT CONSTRUCTION AND O&M

Funding Source	Explanation	Amount
BPA	Available in existing FY2002 & 2003 budgets	\$640,300 ^{1/}
BPA	Request for additional FY2003 funding	\$764,700
OWEB	Approval pending (approval would result in reduction of BPA share)	\$208,000
WW River Irrigation District	In-kind cost shares: -change in point of diversion water rights mapping -O&M : 20 years electrical and water use measurements	\$36,779

1/ Latest estimate based on discussion with BPA project COTR on 11-25-02

MILTON CONSTRUCTION COST BREAKDOWN (of BPA requested funding)^{1/}

Construction Component	Amount
Pump station	\$454,500
Pipeline	\$576,400
Bonds and Insurance	\$ 18,500
Construction contingency (15%)	\$157,400
Construction management	\$181,000
Construction management contingency (10%)	\$ 18,000
PROJECT TOTAL	\$1,405,000

1/ Latest estimate based on information from project engineer on 11-19-02