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MEMORANDUM

TO: Council members

FROM: Steve Crow, Mark Walker and John Ogan

SUBJECT: Points for Council consideration regarding Bonneville program implementation progress and financial condition

The Council is well aware of the serious financial situation currently confronting Bonneville. The Council and its staff have been working over the last several months with Bonneville to acquire information to understand the scope, depth, and possible duration of the current financial situation. The Council has generally encouraged a Bonneville to address this financial situation with a broad response. However, while encouraging a broad based response strategy, the Council's fish and wildlife responsibilities, and the Administrator's request of the Council to investigate ways to reduce Bonneville's fish and wildlife expenditures, have required a substantial amount of fact-finding and attention focused on the implications of Bonneville's financial situation for fish and wildlife program funding and implementation.

Bonneville representatives and staff have been meeting at both the policy and staff levels over the last few months to share information particularly in the fish and wildlife area. In light of the information and discussions exchanged, the Council may wish to consider the following points as it formulates a position on how to respond to the Administrator's inquiry about possible fish and wildlife spending reductions:

- Bonneville's financial difficulties, especially near term, are real and they are serious.
- Across the board spending reductions and deferrals are appropriate, including, but not inequitably focused, on those related to fish and wildlife programs.
- It does not appear that the overall financial crisis is in any way the product of the fish and wildlife program -- obligations and expenditures for the fish and wildlife program appear to be consistent with commitments made in both the past and current rate period.
- Even if fish and wildlife program was not a significant "part of the problem" it appears necessary that it must be part of a broad based and multi-faceted solution.
- The Council should be a full partner, at a minimum, with Bonneville in any process or exercise that may be necessary to investigate possible near-term fish and wildlife spending reductions or deferrals.
- Recognizing that the current accrual target is \$139 million/year *on average*, the Council and Bonneville should consider how to shift currently planned fish and wildlife spending to out-years. The capital portion of the budget probably should be considered separately and the amounts are less clear.

- Bonneville and the Council, in consultation with other regional interests, will need to agree upon standards or criteria that may be applied to secure reductions or deferrals.
- It may be profitable to continue to discuss with Bonneville some of its accounting practices, including standards for capitalization of projects and encumbrances of obligations to both mitigate the severity of the near-term shortage, and to avoid similar situations in the future.