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April 30, 2003

### MEMORANDUM

**TO:** Fish and Wildlife Committee Members

**FROM:** Patty O'Toole

**SUBJECT:** Mainstem/Systemwide project selection

**Purpose:** Provide a brief update on issues regarding the Mainstem/Systemwide review process, in preparation for June Council decision.

#### General issues

#### Background:

The Mainstem/Systemwide project solicitation was initiated in April 2002. A total of 106 project proposals were submitted. Of these, 63 proposals are "new" proposed projects and 41 are "ongoing" projects and two proposals were withdrawn. The Bonneville Power Administration (Bonneville), in coordination with NOAA Fisheries and the Northwest Power Planning Council (Council), agreed to implement a more complex review process. In addition to the usual review process, Bonneville asked for a review to provide some preliminary information to the Independent Scientific Review Panel (ISRP), the Columbia Basin Fish and Wildlife Authority (CBFWA) and project sponsors on the ability of proposals to meet the research, monitoring and evaluation (RM&E) needs identified in the 2000 Biological Opinion (Bi-Op). To date, one of the RM&E projects (#35019) is being requested by Bonneville for expedited review and implementation.

#### Issue 1. Budget allocation

For the most recent rounds of provincial reviews, provincial budget allocations were calculated using fiscal year 2001 percentages for each province. To reach a target allocation for the mainstem/systemwide, we used \$139 million for the total expense budget, and subtracted \$28,200,000 for the "placeholders". The placeholders include ISRP/ISAB (\$900,000), Subbasin planning (\$10 million), Water Marketing (\$5 million) and Bonneville overhead (\$12 million). When the placeholders are subtracted from \$139 million, \$110.8 million remains to be distributed among the provinces and the mainstem/systemwide category by FY 2001 percentage. The calculated allocation for the Mainstem/Systemwide is \$30,913,200. The allocation for 2005

and 2006 may be a bit larger because the placeholder total identified above may be reduced due to the assumed completion of subbasin planning. However, we have been informally notified that the Water Marketing program cost may be expanded (as called for in the 2000 BiOp).

## **Issue 2. Research Monitoring and Evaluation issues**

The Council will be considering expedited approval and implementation of project #35019 during the May Council meeting. Other projects that Bonneville was interested in expediting are now slated for the June decision on the Mainstem/Systemwide. Bonneville is interested in seeing these projects implemented in 2003, although the recommendations are generally considered to be for 2004 - 2006. A placeholder for the Request for Studies projects has been identified in the workbook for the Mainstem/Systemwide. According to Bonneville staff, costs in 2004 may grow over \$10 million and 2005 estimates are approximately \$20 million. It is important to look at the out-year estimates and the overall effect to the program budget in 2004 and 2005. With a Bonneville imposed spending cap of \$139 million per year and new accounting rules, a research, monitoring and evaluation plan that is solely focused on meeting the requirements of the Bi-Op may compromise the objectives of the Fish and Wildlife Program.

## **Issue 3. Principles Guiding Council Prioritization Within the Available Budget**

As has been the case in all prior provincial reviews, there are more projects that satisfied the ISRP standards and were ranked as priorities by the fish and wildlife managers than can fit within the \$31 million allocation for this group of projects. The Council has previously employed a set of considerations to help guide the prioritization of projects to fit within the budget. (See Issue Memo for the Columbia Plateau Province, November 7, 2001). These criteria have been taken into account to inform staff recommendations, and ultimately the Council's funding recommendations. These have not been treated as mandatory criteria -- satisfying one or more is not a prerequisite to a positive funding recommendation. Our approach has been to use these criteria to guide prioritization, but left open the possibility that a project that does not clearly address one or more of these considerations could be recommended for funding if the reasons for recommending it are explained. In summary, the criteria the staff and Council have used are:

1. As a matter of first priority, maintain adequate funding for the operation, maintenance, monitoring and evaluation of **ongoing projects**;
2. As a second-level priority, provide funding to multi-step or phased **ongoing projects** that are prepared to take the next anticipated and logical step in their development;
3. As a second-level priority (co-equal with 2 above), provide funds to **new and ongoing projects** that protect currently productive, high quality habitat, and/or provide connections to historic habitat;
4. Also as a second-level priority (co-equal with 2 and 3 above) provide funds to those **new and ongoing projects** that can be shown to respond to Reasonable and Prudent Alternative action items in the 2000 Biological Opinion on Hydrosystem Operations for which Bonneville has been assigned responsibility;

5. As a second-level priority (co-equal with 2, 3 and 4 above) where there are new projects that have been developed and coordinated with a broad coalition of local interests including, for example, local governments, tribes, state agencies, agriculture interests and others, and there is consensus support, fund the projects;
6. As a third-level priority, provide funding for proposed **new** projects that present an opportunity to protect, mitigate or enhance fish and wildlife that will be lost if delayed until after subbasin plans are completed (next 1-4 years);
7. Finally, the Council likely will not support funding **new or expanded** research initiatives.

The staff believes that the Mainstem/Systemwide project group is substantially different than the projects we routinely reviewed in tributary based provinces such as the Columbia Plateau or Mountain Snake, requiring some adjustment of the prioritization criteria previously used. The staff believes that criteria 1. (maintain past investment) and 4. (address BiOps needs) above are the most pressing considerations for this group of projects. Moreover, criteria 7 (disfavor new and expanded research) cannot apply, as it contradicts the BiOp call for new and expanded research in this area.

The staff wants to confirm with the Committee that the guiding prioritization principles to develop the funding recommendation package should be: (1) ISRP support; (2) maintain value of past investment; (3) meet needs of BiOps.

#### **Coordinated Research, Monitoring and Evaluation**

The RME workgroup and the fish and wildlife managers have both proposed approaches for coordinating a research, monitoring and evaluation structure. The ISRP reviewed both approaches and has determined that they appear to be in competition with each other. The ISRP gave a positive review of the fish and wildlife managers' proposal and identified apparent interest of ownership of the RME process by the Action Agencies. The ISRP identified this as a policy issue.

#### **Issue 4: NOAA Fisheries and Bonneville Comments**

Comments regarding the Mainstem/Systemwide project proposals were submitted on January 21, 2003. A jointly developed list of projects that Bonneville and NOAA Fisheries believes are necessary to implement the Bi-Op was sent to the Council on February 12, 2003. Bonneville sent their comments on the Mainstem/Systemwide project proposals on February 19, 2003. Council staff has found some discrepancies between the documents. In addition, the NOAA Fisheries has stated that it will be sending a document entitled "Findings Regarding Adequacy of the FCRPS Action Agencies 2003 Annual Implementation Plan" to the Council soon. This document will provide a full and current assessment of where NOAA Fisheries believes additional effort is necessary. Council staff is still reviewing all of the comments.

#### **Issue 5: Project specific issues**

Recent constraints by Bonneville, including the \$139 million budget limit and the switch from obligation to an accrual based accounting system, require a closer look at how we can achieve a balance of Bi-Op and non-Bi-Op projects in the Mainstem/Systemwide project review. We need

to look closely at on-going projects and determine Bi-Op applicability. The need to incorporate the research, monitoring and evaluation focused projects mentioned in Issue 2 above, puts additional strain on the Mainstem/Systemwide budget.

Attached for discussion is the staff draft “workbook” for the Mainstem/Systemwide. Projects were sorted for three criteria: CBFWA “urgent” or “core, and ISRP “fundable” and for a NOAA Fisheries/BPA rank of 1 or 2 (February 12, 2003) or recognized as USFWS BiOp critical. The projects that met these three criteria are located in “tier” 1 of the workbook. These projects are considered by staff to have “consensus” from the region that they are of high priority and total \$28.4 million. Given the allocation of \$30.9 million described above, there is not much room for additional projects to be added to those in “tier” 1.

Tier 2 includes projects that received a NOAA fisheries/BPA rank of 3, and a designation from CBFWA of “urgent” or “core” and ISRP rating of “fundable” or “fund in part”, plus other projects. You will note that there are several ongoing projects that implement the fish and wildlife program that were supported by the ISRP and managers, but because they were not deemed “critical” for the BiOp, fall into the lower tiers and, if funds cannot be found by savings in tier 1, are at risk of not being funded. These include funding for CBFWA, Streamnet, and IBIS, which has been identified as necessary for subbasin planning (these are being re-evaluated for BiOp applicability). Also falling into tier 2 or below are a long-standing sturgeon project, all law enforcement related projects, several technical support projects for Bonneville, and funding for the Columbia Basin Bulletin, among others.

To complete recommendations for a final package the staff is:

- Reviewing the full suite of Bi-Op requirements with NOAA fisheries and Bonneville to determine duplication of effort that can be eliminated from project budgets
- Reviewing ISRP comments for less essential elements of major project budgets
- Reviewing scopes of work for ongoing projects that may be a lower priority for Bonneville funding given budget constraints
- Considering a set of ongoing projects, such as CBFWA funding or Streamnet that, while not considered a priority for Bi-Op requirements should be considered by the Council on the basis of regional fish and wildlife management support