Fiscal Year 2002

ANNUAL REPORT
to
Congress

Northwest
Power Planning
Council

Council document 2003-01

22nd ANNUAL REPORT
of the
Pacific Northwest Electric Power and Conservation Planning Council

Submitted to the

Committee on Energy and Natural Resources
United States Senate

Committee on Energy and Commerce
United States House of Representatives

and

Committee on Resources
United States House of Representatives

October 1, 2001 through September 30, 2002

Northwest Power Planning Council
851 S.W. Sixth Avenue
Suite 1100
Portland, Oregon 97204
503-222-5161
Toll Free: 800-452-5161
www.nwcouncil.org

The Northwest Power Planning Council was established pursuant to the Northwest Power Act of 1980 (Public Law 96-501) by the states of Idaho, Montana, Oregon, and Washington. The Act authorized the Council to serve as a comprehensive planning agency for energy, fish, and wildlife policy in the Columbia River Basin, and to involve the public in its decisionmaking.

This annual report has been developed pursuant to Section 4(h)(12)(A) of the Northwest Power Act. The Council's bylaws, which include its organizational structure, practices, and procedures, are available to the public. Please request document 2003-01 or visit our web site: www.nwcouncil.org.

NORTHWEST POWER PLANNING COUNCIL
851 S.W. SIXTH AVENUE, SUITE 1100
PORTLAND, OREGON 97204-1348

Fax: 503-820-2370
Phone: 503-222-5161 1-800-452-5161
Internet: www.nwcouncil.org

January 2003

To the Citizens of the Pacific Northwest:

In 2002, the Northwest Power Planning Council began work on the next version of its Northwest Power Plan and laid the foundation for future fish and wildlife planning at the tributary, or subbasin, level in the Columbia River Basin. The Council also drafted a set of amendments to its Columbia River Basin Fish and Wildlife Program concerning operations of dams on the mainstem Columbia and Snake rivers, based in large part on recommendations of the region's fish and wildlife agencies and Indian tribes.

The Council and the Bonneville Power Administration collaborated on a public process to investigate options for the future of the federal power marketing agency, and the Council worked closely with federal fish and wildlife agencies to incorporate recovery planning for threatened and endangered species with the Council's Columbia basinwide effort to protect and enhance all fish and wildlife that have been affected by hydropower dams.

These are important tasks for the region, where the impacts of the energy crisis of 2000/2001 linger in the form of electricity rate hikes and a stagnant economy, and where protection of fish and wildlife is a public priority. The Council works to balance fish and wildlife protection and enhancement with the need for an adequate, efficient, economical, and reliable power supply, providing Northwest citizens an opportunity unique in the nation to participate in, and influence, regional decisionmaking.

This annual report to Congress provides an overview of the Council's work in Fiscal Year 2002. We look forward to continuing to build effective partnerships among states, fish and wildlife agencies, Indian tribes, stakeholder groups, Bonneville, the region's electric utilities, and others who have interests in matters regarding fish, wildlife, and energy in the Columbia River Basin.

Sincerely,

Judi Danielson
Chair

Table of Contents

THE NORTHWEST POWER PLANNING COUNCIL 9

POWER PLANNING ISSUES 11

- The Fifth Northwest Power Plan 11
- RTO West 13
- Energy Conservation 14
- Future of the Bonneville Power Administration 15
- Power System Analyses 16
- Energy Legislation 18

FISH AND WILDLIFE ISSUES 19

- Project Funding Decisions and Issues 19
- Mainstem Amendments to the Fish and Wildlife Program 20
- Subbasin Planning 22
- Artificial Production of Fish 24
- Endangered Species Act Issues 25
- Other Fish and Wildlife Issues 26

PUBLIC INVOLVEMENT 29

COUNCIL BUDGET 31

MORE INFORMATION 33

COMMENTS OF THE BONNEVILLE POWER ADMINISTRATION 35

COUNCIL MEMBERS (2002) AND OFFICES 37

The Northwest Power Planning Council

The Council is an agency of the states of Idaho, Montana, Oregon, and Washington, and was created as an interstate compact agency by the legislatures of the four states following President Jimmy Carter's approval of the Pacific Northwest Electric Power Planning and Conservation Act in December 1980. The Council's first meeting was in April 1981.

The Northwest Power Act gives the Council three distinct responsibilities: 1) to assure the region an adequate, efficient, economical, and reliable electric power supply; 2) to prepare a program to protect, mitigate, and enhance fish and wildlife of the Columbia River Basin that have been affected by the construction and operation of hydropower dams; and 3) to inform the Pacific Northwest public about energy and fish and wildlife issues, and involve the public in its decision-making. This annual report is organized around the Council's three key responsibilities.

There are eight Council members — two from each state — appointed by the governors. A list of Council members and their office locations is at the end of this report.

Power Planning Issues

The Fifth Northwest Power Plan

The Northwest Power Act of 1980 requires the Council to prepare a 20-year plan to assure the Pacific Northwest an adequate, efficient, economical, and reliable power supply while also protecting, mitigating, and enhancing fish and wildlife of the Columbia River Basin that have been affected by hydropower dams. The Act requires the Council to review the plan at least every five years. The current power plan, the Council's fourth, dates to 1998. In Fiscal Year 2002, the Council began work on the Fifth Northwest Power Plan. The current schedule calls for completing the plan in mid-2003.

After consultations with the Bonneville Power Administration, electric utilities in the region, state utility commissions, environmental organizations, and other interested parties, the Council identified nine issues to address in the Fifth Northwest Power Plan. Many of these issues are in response to the region's experience during the energy crisis of 2000-2001. They are:

Incentives for development of new generation:

How can adequate levels of new development be assured in a competitive wholesale power marketplace, where wholesale prices — and price signals to developers — fluctuate?

Increasing the price-responsiveness of demand for power:

Demand for most commodities drops as the price of the commodity rises, limiting how high prices rise. But retail electricity rates typically change relatively slowly in response to changes in wholesale power prices. Consequently, demand does not respond quickly to high wholesale prices and has little disciplining effect on market prices. We are investigating how retail demand could be made more responsive to wholesale prices in ways that are both effective and acceptable to consumers.

Sustaining an economically efficient investment in energy efficiency:

In recent years, utility investments in conservation followed a roller-coaster pattern, investing at far lower than cost-effective levels when wholesale market prices were low and then scrambling to catch up when market prices skyrocket. Does it make sense for the region to sustain these investments at cost-effective levels, and if so, how can we assure that the investment happens?

Assessing power supply adequacy and market performance:

The energy crisis of 2000-2001 demonstrated the value of having accurate, timely information on power supply and market performance, yet much of this information is considered proprietary in the competitive marketplace. How can this information be provided in a sufficiently timely manner to help decisionmakers ensure the power supply remains adequate, reliable, and affordable?

Hydroelectric system operations and the impacts on migrating fish:

The drought of 2000-2001 forced trade-offs that improved the power supply at the expense of salmon and steelhead migrating between freshwater spawning areas and the Pacific Ocean. Are there ways to ensure equitable treatment of fish and power interests, and are there system-operating strategies or incentives that would minimize unnecessary impacts on fish?

Transmission:

High-voltage transmission policy and planning are critical to maintaining an adequate, efficient, economical, and reliable power supply. From the Council's perspective, it is important that least-cost planning and implementation apply to transmission as well as to generation of power.

The value of, and barriers to, power resource diversity:

One of the lessons of the energy crisis of 2000-2001 is the importance of managing the risk associated with volatile electricity prices and their underlying fuel prices. One way of mitigating that risk is through resource diversity. The Fifth Power Plan will assess the value of resource diversity, identify the barriers to achieving it, and suggest ways in which they might be overcome.

Climate change risks to the power system:

Climate change poses a risk to the power system, both in terms of its potential effect on hydroelectric generation, and in the possible effects of policies that might be put in place to address the climate change issue. The Council will assess these impacts and alternatives for managing the inherent risk.

The Council invited public comment on these issues. Here is a synopsis of the advice we received from the public about how to address the issues in developing the power plan:

1. Don't spend a lot of time on transmission, except for assessing energy conservation, demand management, and distributed generation as alternatives to transmission investments.
2. Don't try to solve global climate change issues, but consider climate change impacts as a source of risk to the power supply.
3. Describe and make sense of the recent energy crisis — what did we learn, and how might we avoid the same problems in the future?
4. Develop a vision for the future of the power industry in the region.
5. Address the future of Bonneville, particularly with regard to energy conservation, fish and wildlife mitigation, and the federal power system.

As we developed the list of issues to address in the next power plan, we also made progress on developing the tools we will use in developing the plan. In Fiscal Year 2002, the Council completed two important tasks that will provide information necessary for the power plan. One was a draft forecast of future fuel prices for power plants in the Northwest, and the other was a draft forecast of future demand for electricity in the region. These forecasts will be used in analyses for the power plan.

Fuel price forecasts affect the expected costs of future electricity generation. Through their effects on generation costs, fuel price forecasts also largely determine the future expected prices of electricity.

In the Pacific Northwest, hydropower, coal, and natural gas are the three primary fuels for generating electricity, accounting collectively for 93.7 percent of the generating capacity in the region. Hydropower dams provide 70 percent of this capacity (33,473 megawatts); coal-fired power plants provide 14.6 percent (6,992 megawatts); and power plants fueled by natural gas provide 9.1 percent (4,351 megawatts). The Council's fuel price forecasts for coal and natural gas include a range of possible prices, from low to high. However, the portion of the resource mix fueled by natural gas is increasing rapidly. Natural gas is expected to be the predominate fuel for new generation in the years ahead.

For natural gas, the Council's medium forecast shows prices gradually increasing from $2.70 per million Btu in 2002 (in 2000 dollars) to $3 by 2005 as new gas-fired plants come online in the region, and then increasing at an average annual rate of 0.5 percent through 2025. This is a slightly lower growth rate than the Council forecast in its 1998 Power Plan, but the base gas price is considerably higher than earlier forecasts.

Growth in demand for power follows trends in population and employment, and both increased during

the past decade. Early in Fiscal Year 2002, the Council compared the demand forecast in the 1998 Power Plan to actual figures for recent years and discovered that, with very few exceptions, the Council's economic forecasts for demographics and employment are adequately predicting actual figures. Electricity sales data appeared to be tracking the medium forecast values in the 1998 Plan.

The Council released its demand forecast for the Fifth Power Plan for public comment in August 2002.

RTO West

The Council, a member of the Western Electricity Coordinating Council, has an ongoing interest in the development of an efficient and effective wholesale power market, and in the development of a transmission system that will best support that market. The Council's staff has actively participated in the discussions leading up to the proposal for RTO West, both through workgroups and through the Regional Representatives Group. The Council was an alternate member of this group, representing the Committee on Regional Electric Power Cooperation, a group of Western state and provincial regulatory commissions and energy offices. In addition, the Council's staff participates in the Western Market Interface Committee, a standing committee of the Western Electricity Coordinating Council.

The Council has invested a great deal of effort in understanding the issues confronting transmission systems in the West, and in helping RTO West develop a proposal that can address those issues while also accommodating the physical and legal differences that make the Northwest unique. Resolving these issues is essential to the Council's statutory responsibility to help assure the Northwest of an adequate, efficient, economical, and reliable power supply.

Transmission in the West and the Northwest is becoming stressed by the demands of the competitive, wholesale electricity market, notably through the increasing volume of transactions and the dynamic, shifting patterns of generation and load. However, transmission problems in the region are not so overwhelming at this time to preclude consideration of improvements to RTO West or alternatives to it. The cost-benefit analysis for RTO West so far only shows small quantified economic benefits when corrected for apparent errors, the Council commented. For at least one state, Montana, the results of the analysis are negative.

In May 2002, the Council commented to the Federal Energy Regulatory Commission on the RTO West Stage 2 compliance filing by the eight utilities and Bonneville, which collectively propose to form RTO West. The Council commended the filing parties for their efforts to develop a proposal for the Northwest that satisfies the Commission's requirements for regional transmission organizations.

But the Council also commented that the very significant institutional and policy changes necessary for the formation and operation of a regional transmission organization may carry costs and risks that are not fully understood at the present time. Some Council members believe that because of the magnitude of the changes involved, there is a strong likelihood that adverse unintended consequences will occur as a result of implementing RTO West. At the same time, they believe that because of the Commission's push for the formation of regional transmission organizations, more incremental approaches to solving the problems facing the region's transmission system have not received adequate attention. Other Council members believe that the problems with the existing transmission system will not be solved in a timely or adequate fashion for the long term without resorting to a regional transmission organization along the lines of RTO West.

Accordingly, the Council has not reached consensus on overall support for RTO West. However, the Council did offer specific comments on the Stage 2 filing, including:

- The Commission needs to accommodate legitimate Northwest differences addressed in the filing.
- It is appropriate to protect existing rights holders for an extended period of time.
- Any RTO West planning backstop authorities should include the authority to implement any least-cost action identified by the planning process, not just transmission expansion as currently proposed for three of the four potential backstop areas.
- Recent revelations of manipulation of the California power market underscore the importance of an independent market monitoring function with timely access to all relevant information, as well as the importance of a rapid response by the Commission and other appropriate agencies to evidence of market failure or abuse brought to their attention by the market monitoring unit. The Council believes the Commission's proposed market monitoring unit would be overly restrictive regarding access to data by agencies responsible for responding to allegations of market abuse.

The Council is continuing to participate in the development of RTO West.

Energy Conservation

The Northwest Power Act treats energy conservation as a resource in the region's power supply. That is, a megawatt conserved through improved energy-use efficiency is the same as a megawatt generated.

The Act requires the Council to give priority to cost-effective resources in developing and periodically amending the Northwest Power Plan. Conservation is given highest priority in the Act among resources to meet the region's future demand for power, and the Act also requires the Council to set forth a general scheme in the power plan for implementing conservation. Conservation is so important, in fact, that the Act authorizes a 10 percent cost-effectiveness "bonus" for conservation in comparison to other resources.

Ever since its first power plan in 1983, the Council has promoted conservation as a resource, including the development — required by the Act — of model conservation standards that today are embodied in building codes throughout the Northwest. The Council continues to analyze the cost of conservation compared to other resources to meet the region's future energy demand.

According to the Council's current analyses, the potential for continued efficiency improvements remains high in the three main sectors of electricity consumption — residential, industrial, and commercial. In the residential sector, most of the conservation potential is in appliances such as water heaters, improved building codes, and in new home construction. We are working to improve our data bases on 1) the market penetration of increased-efficiency appliances; and 2) the market penetration of energy-efficient building practices in new construction. In the industrial sector, there is a great deal of potential in plant-specific process changes, such as improved-efficiency motors, lights, and compressors. We are working to estimate the market penetration of premium motors and other improved-efficiency electrical devices. In the commercial sector, we see continued potential in building climate controls, lighting, and plug-in devices — all of which could be addressed through incentive programs by utilities. We are also working to improve our information about energy usage in existing commercial buildings in the Northwest. The commercial sector represents some of the greatest opportunities for improved efficiency in electricity use. Unfortunately, some of our most current information on existing buildings dates to the late 1980s, although we have information on new construction that is more current. The Council, working with Bonneville and the Northwest Energy Efficiency Alliance, has initiated a survey of

commercial buildings in the Northwest to better capture their potential for energy savings.

The energy crisis of 2000-2001 demonstrated the need for a regional comprehensive energy efficiency strategy, and the Council and Bonneville are working together in the context of the Fifth Power Plan to develop a regional strategy to capture all the cost-effective energy efficiency in the region.

As a first step in identifying and clarifying the region's conservation potential and costs, in Fiscal Year 2002 the Council established an interim conservation achievement goal — one that will be further clarified in the Fifth Northwest Power Plan — of acquiring 100 megawatts of new conservation per year over the next three to four years. According to the Council's analyses, that much conservation is available at a maximum levelized cost of 3 to 4 cents per kilowatt-hour, and most of that at 3 cents or less. This is less than the full cost of power from a new combustion turbine, but more than the current price of power on the wholesale market.

Development of conservation costing up to 3 cents per kilowatt-hour would have an annual cost of approximately $220 million, and this cost could be spilt between the customers who benefit directly from the conservation measures and the remainder of a utility's ratepayers. This is significantly more than what the region spent in the late 1990s, but less than what was spent "playing catch up" during the Western energy crisis. At least 50 percent of this amount is already incorporated in utility commitments to the Northwest Energy Efficiency Alliance, Bonneville's Conservation and Renewables Discount and Conservation Augmentation budget, and the Oregon Energy Trust. The cost estimate also does not include the commitments of investor-owned utilities outside of Oregon, or those of major public and municipal utilities in the region.

In a discussion paper released for public comment in December 2001, the Council referred to the 300 megawatts of conservation acquisition as "building an efficiency power plant." Three hundred megawatts of conservation is the equivalent of 300 megawatts of new generation (the average new natural gas-fired power plant is about 270 megawatts in size), and the conservation and generation would take the same amount of time to construct — about three years.

Importantly, the interim conservation goal, which was adopted by the Council in January 2002, challenges the region's utilities to further diversify the Northwest power supply. The Council recognizes that the region's utilities are stressed by the aftermath of the 2000-2001 energy crisis. But sustained commitment to conservation is an important goal in light of the region's experience during the recent energy crisis, when the price of electricity rose to levels never seen before in the Northwest.

The Council believes that by stabilizing the region's investment in conservation and other demand-side resources, we can reduce our overall demand for power, and lessen the impact of future periods of reduced supply and volatile prices.

Future of the Bonneville Power Administration

In 2002, the Council and Bonneville initiated a regional discussion to determine how Bonneville might market and distribute federal hydropower after 2006, when most of its current power sales contracts expire. This effort was prompted by four key issues that need to be resolved in the near future:

First, the direct-service industries (DSIs) in the region currently have a five-year commitment for power from Bonneville. The industries see their access to cost-based federal power as an important economic factor in operating their plants, and they have asked for certainty regarding their sources of power after 2006 so that they can make investment decisions.

Second, a group of public and private utilities in the Northwest developed a document they call the Joint Customer Proposal. It sets out a scheme for marketing the power from the Federal Columbia River Power System and modifying Bonneville's regional role. The customers propose that Bonneville transfer to the region's utilities much of the responsibility for providing additional electricity needed to meet load growth in the future. Currently, Bonneville supplies all of the power requested by its customers, even if that means buying power on the wholesale market. The proposal is an attempt to settle a lawsuit that challenges the Residential Exchange Settlement Agreement. That agreement provides benefits to residential and small farm customers of the region's investor-owned utilities. While the Council does not speculate here on the outcome of the lawsuit or the success of the Joint Customer Proposal, the Council believes it is important that any resolution of the lawsuit, particularly as it regards Bonneville's future role in the region, be consistent with the region's long-term vision for Bonneville, whatever that may be. This is important to the utilities that receive residential exchange benefits, too, because Bonneville will decide how much electricity, or financial benefits, the utilities receive under their existing subscription settlement agreements.

Third, some utilities and independent power producers wish to make decisions soon regarding investments in existing and new power plants, which could require capital funding. These investments are necessary to ensure that the region has the necessary power supply to support a healthy economy. However, capital often can be difficult to secure without clear evidence of future customers and the ability to serve them. These entities would like an understanding of what power supply role Bonneville will play in the wholesale marketplace after 2006.

Fourth, if Bonneville continues to supply power for loads greater than the capability of the existing federal system after 2006, it will need to begin making arrangements soon for augmenting the federal system.

Bonneville and the Council conducted a series of public meetings in September 2002 around the Northwest to seek advice on the development of a creative and sustainable approach to the sale of power from the FCRPS, while ensuring that Bonneville continues to provide long-term benefits to the region. The Council and Bonneville accepted written comments on the Joint Customer Proposal and also encouraged others to submit their own proposals. All options for the future of Bonneville were open for discussion, from major modifications to how Bonneville currently sells power, to smaller adjustments of existing power sales contracts. Based on the information presented in the public meetings, as well as other information and analysis, the Council completed its recommendations for Bonneville's consideration in December 2002. The recommendations are posted on the Council's website, www.nwcouncil.org.

Bonneville anticipates a more formal public process in 2003 to develop and discuss its own draft proposal. This would be followed by a decision, most likely in late 2003.

Power System Analyses

During the energy crisis of 2000-2001, the Council periodically analyzed the reliability and adequacy of the regional power supply. These reports provided timely, objective, and expert analysis of the evolving crisis, and distinguished the Council as a credible source to guide decisionmaking to help avoid, or at least soften, future crises. Many of the issues that will be addressed in the Fifth Northwest Power Plan, discussed earlier in this annual report, arose from the region's experiences during the energy crisis.

In October 2001, as the crisis appeared to be waning, and precipitation — the source of "fuel" for most of the region's electricity generation — appeared to be returning to normal levels, the Council issued its final analysis

of the crisis and near-term forecast of power system reliability. In short, the Council predicted the Northwest would have an adequate electricity supply through the winter of 2001-2002 thanks to actions taken in 2001 to increase the supply and reduce demand for power.

The analysis noted that power plants capable of generating more than 900 megawatts — nearly enough for the city of Seattle — were added to the region's power supply in 2001, demand for power fell 20 percent during the year, and hydroelectric storage reservoirs had filled to normal levels by the late fall. But the Council also noted that the improved outlook came at a cost to the region's economy and environment. For example:

- A large portion of the demand reduction was in industries responding to high power prices and the economic recession, and that translated to lost jobs.
- Temporary power generators, most of them burning diesel, helped boost the energy supply, but also polluted the air more than other types of power plants.
- Reduced water spills at Columbia and Snake river dams increased the amount of stored hydropower, but also likely took a toll on migrating salmon and steelhead by forcing those that could not be collected for barge transportation downriver to go through turbines.

The October analysis concluded there was less than a 1 percent probability of power deficits during the winter. That was a vast improvement over the 12 percent probability of deficits the Council had predicted just six months earlier.

According to the analysis, the impact of drought reduced the region's hydropower supply by about 4,000 megawatts – nearly enough power for four Seattles. During the winter of 2000-2001, the Council had warned that the region's deficit could worsen significantly by the end of 2001 unless emergency actions were taken.

Through the winter and into the spring of 2001, the region responded in many ways. Construction of new power plants was accelerated, both in the Northwest and in California. That boosted the Northwest power supply and also made more power available to the Northwest from the Southwest. Water spills at Snake and Columbia river dams to assist fish migration were reduced, and that had the effect of increasing water storage for hydropower. The region also significantly reduced its demand for power. Most of that reduction came from buybacks of load from industrial customers, but some of the reduction was in industries that responded to high power prices and the developing recession by cutting production and, in some cases, going out of business. Citizens helped ease the energy crisis by increasing the efficiency of their power usage through actions such as installing compact fluorescent light bulbs, turning down electric water heaters, and simply using less electricity in response to rate hikes imposed by their utilities. It was estimated that as much as 300 megawatts may have been saved through these actions alone.

The result was that the region reduced its demand for power by about 4,000 megawatts, compared to the previous year. That was a 20 percent reduction. The increased power supply, coupled with reduced demand and relatively mild summer weather, allowed the region to avoid brownouts and blackouts in 2001. In hindsight, the Council's prediction in June 2001 of a 12 percent probability of deficits by the winter might have been too conservative. But given the inherent uncertainty of forecasting power supplies in a system dominated by hydropower, it is the Council's preference to encourage cautious operations.

Today, demand for power remains below pre-energy crisis levels. It is important to note that nearly three-quarters of the 4,000-megawatt reduction in regional power demand was attributable to the idled Northwest aluminum industry and several other large industrial plants, according to the Council's October 2001

analysis. Since then, there has been some recovery. Information for November 2002, the latest date for which information was available at the time this report was finalized, shows regional power loads are about 1,000 megawatts above November 2001 levels but still 2,357 megawatts below the Council's forecast in the last power plan.[1] The direct-service industries have not recovered, generally speaking. Three aluminum plants were operating partially in late 2002 for between 600 and 800 megawatts of demand. That compares to the direct-service industry load of 2,588 average megawatts in July 2000 — prior to the energy crisis. The Council suspects that other large industrial plants remain shut down in response to the lagging economy, but corroborating information was not available.

The Council continues to monitor the reliability and adequacy of the regional power supply.

Energy legislation

The Council monitors energy legislation being developed in Congress and, from time to time, comments to members of the Northwest congressional delegation. In Fiscal Year 2002, the Council commented in support of extending and modifying the federal renewable energy incentives. In January, the Council commented in support of a five-year extension of the renewable energy production tax credit and reauthorization of the renewable energy production incentive, also for five years. The Council commented that a five-year extension would be sufficient to encourage sustained development of renewable resources, minimize rushed planning, complete projects that are under construction, and allow resource development to be better timed to need. The Council also said that limiting the extension to five years would provide an opportunity to review the performance of the program and the need for continuation in light of future technology, the power market, and fiscal, regulatory, and environmental conditions.

The Council annually submits recommendations to the Northwest delegation and Congressional committees pertaining to federal funding needs for fish and wildlife activities in the Columbia River Basin. The relevant agencies include the U.S. Army Corps of Engineers, Bureau of Reclamation, NOAA Fisheries (formerly the National Marine Fisheries Service), U.S. Fish and Wildlife Service, and the U.S. Forest Service.

1 Temperature-adjusted loads: November 2001: 18,589 megawatts; November 2002: 19,497 megawatts. Fourth Power Plan estimate for November 2002: 21,854 megawatts.

Fish and Wildlife Issues

Project Funding Decisions and Issues

Fish and wildlife budget:

At the beginning of Fiscal Year 2002, the Council adopted a provisional start-of-year budget for Bonneville funding of projects in the Columbia River Basin Fish and Wildlife Program of $152.7 million. This amount allowed projects that had not yet been through provincial reviews to be renewed at previously approved budget levels with a 3.4 percent inflation adjustment. The provisional budget confirmed the previously approved budgets for projects in the Columbia Gorge, Intermountain, and Mountain Columbia provinces, and based renewal budgets for projects in the other provinces on budgets approved by the Council in Fiscal Year 2001.

The start-of-year budget was reviewed by members of the Columbia Basin Fish and Wildlife Authority, their comments were consolidated, and most were incorporated into the budget.

In December 2001, the Council convened a three-hour, public roundtable discussion about Bonneville's future fish and wildlife funding commitments. Representatives of utilities, Bonneville, and the state, federal, and tribal fish and wildlife agencies took part. Earlier that month, Bonneville Administrator Steve Wright said that during the current rate case period, 2002-2006, the agency's target in the expense category of the direct program budget would increase from $100 million to $150 million. The expense spending target under the six-year fish and wildlife funding memorandum of agreement that expired at the end of Fiscal Year 2001 was $100 million. In the capital category of the direct program budget, Wright said spending would increase from $27 million, the figure in the memorandum of agreement, to $36 million during the current rate case period.

As the fiscal year progressed, however, Bonneville's financial situation worsened and, in a July 2002 open letter to customers and constituents, Wright said it appeared Bonneville would end the current fiscal year "with only a small financial cushion in the form of reserves." As a result, the agency is conducting "a substantial effort to look at our revenues and expenses for the 2003-2006 period," according to the letter. In December, Wright informed the Council that Bonneville could spend no more than $139 million on fish and wildlife in Fiscal Year 2003. Subsequently, the Council and Bonneville worked together to determine project budgets, identify expenditures to-date, and develop a plan for managing expenditures during the remainder of the fiscal year to fit within the spending limit. The Council made its recommendations to Bonneville in a letter dated February 21, 2003.[2] The Council has not reviewed budgets for 2004-2006.

---

2 In the letter, which is posted on the Council's website, www.nwcouncil.org, the Council cautioned that not all programs at Bonneville are equal, and so proportionate, agency-wide cuts of all programs would be unfair to those like the fish and wildlife program that respond to legal mandates. If cut too far, Bonneville runs the risk of not meeting its statutory obligations, the Council advised. Bonneville asked for immediate cuts in project budgets, but the Council took a different approach, arguing that arbitrary cuts would undermine the work that the Council had collaboratively completed with tribes, governors' offices, watershed groups, state and federal agencies, and other interested parties over the last three years in the provincial review process. Instead, the Council scrutinized every project in the program and identified work that needs to be done in 2003, and opportunities for work that could be pushed into future years. The Council also made clear that its recommendations are only for 2003, not for future years. Before budgets for those years can be addressed, the Council wrote, Bonneville must decide two important issues: 1) whether it will impose an annual budget process on the program or continue with the multiple-year process that has been in place, and working successfully, for several years; and 2) whether it will use its capital borrowing authority for land purchases. For 2003, the Council identified $114.6 million in direct program expenses. Coupled with $22 million in "placeholder" expenses, which includes the costs of subbasin planning, research, monitoring and evaluation required by the 2000 Biological Opinions and Bonneville's $12.1 million internal fish and wildlife overhead, the total spending would be $137 million in 2003. This assumes that Bonneville accepts the Council's recommendations to capitalize about $20 million in land purchases and defer some work into future years. The Council noted in its letter that Bonneville's fish and wildlife overhead costs have risen 61 percent since 2001, a rate of expansion the Council said is difficult to accept. The Council also expressed concern for the burden ratepayers are shouldering, and urged Bonneville to continue searching for spending reductions.

Recommendations of projects to implement the program:

In Fiscal Year 2002, the Council approved funding packages for projects to implement the fish and wildlife program in the Columbia Plateau, Blue Mountain, and Mountain Snake provinces. The Council recommended $34.6 million in projects for the Columbia Plateau Province, which includes southern Washington and central and northern Oregon. That amount is for Fiscal Year 2002; outyear funding (Fiscal Years 2003 and 2004) is for similar amounts. Major tributaries of the Columbia River in the Columbia Plateau Province include the Yakima, Walla Walla, Umatilla, John Day, and Deschutes rivers. The Council also approved a total of $36.3 million in Fiscal Year 2002 funding, and similar amounts in the coming two years, for projects in the Blue Mountain and Mountain Snake provinces.

Many of the projects recommended by the Council address biological opinion requirements, and so the Council's program and the biological opinion are integrated in this regard. The Council recommended 20 ongoing projects and eight new projects in the Blue Mountain province totaling $12.4 million in Fiscal Year 2002. Major tributaries in this province include the Grande Ronde and Imnaha rivers, and Asotin Creek. The Council also recommended 38 ongoing projects and 21 new projects in the Mountain Snake province totaling $23.9 million in Fiscal Year 2002. Major tributaries in this province include the Clearwater and Salmon rivers.

Bonneville funding of projects on federal land:

In February 2002, Bonneville proposed a policy that would prescribe new requirements and procedures for funding habitat improvement projects on federal lands. Bonneville asked for the Council's assistance in making the proposed policy available for review and comment throughout the region. The Council discussed the matter at its meetings in March, April, and May, and facilitated a review and comment period using its website.

The proposed policy generated a large volume of public comment, most of it negative. The Council analyzed the proposal and found it to be overly broad and unfocused. The proposal also did not clearly address Endangered Species Act implementation or biological opinion implementation, and appeared to ignore the scientific or biological merit of potential projects, instead focusing on dividing costs and responsibilities. The policy also did not appear to be justified under the Northwest Power Act; nor did it appear to be consistent with the other federal agencies' understanding of the 2000 Biological Opinions.

Consistent with comments from others, notably the Bureau of Land Management, the Council drafted an alternative that would make cost-sharing a requirement, but also would leave flexibility to structure the size and nature of the cost share as circumstances, opportunity, and purpose dictate. The Council also offered to help Bonneville develop a policy consistent with the recommendations of the Council and others who commented.

Mainstem Amendments to the Fish and Wildlife Program

In October 2000, the Council adopted a set of amendments to the fish and wildlife program to begin what eventually will be a complete revision of the program. In that first phase, the Council reorganized the program around a comprehensive framework of scientific and policy principles. The program amendments in 2000 set the stage for subsequent phases of the program revision when the Council will adopt more specific objectives and action measures that are consistent with the framework elements already adopted.

An important part of the program is a coordinated plan for the mainstem Columbia and Snake rivers. The mainstem plan will contain specific objectives and action measures for the federal river and dam operating agencies and others to implement in the mainstem

Columbia and Snake rivers, including dam operations to protect, mitigate, and enhance fish and wildlife affected by the hydrosystem, as required by the Northwest Power Act. The plan may include, as appropriate, objectives and measures for water management, flow regimes, spill, reservoir elevations, water retention times, adult and juvenile passage modifications at mainstem dams, fish transportation, systemwide coordination, protecting and enhancing mainstem spawning and rearing areas, and operational requirements to protect resident fish and wildlife. Like the 2000 Program, the mainstem amendments will include a vision, biological objectives, and strategies to achieve the objectives.

In March 2001, the Council requested proposals for elements of the mainstem plan that were accepted through late June, and posted on the Council's website for public comment. In Fiscal Year 2002, the Council worked to prepare draft mainstem amendments that address issues developed from the proposals, and that are based on the recommendations and public comments we received.

Mainstem operations are essentially directed by the hydrosystem biological opinions issued by the NOAA Fisheries and the U.S. Fish and Wildlife Service. The Council's mainstem plan does not need to mirror the operations required by the biological opinions, but to be relevant it should recommend river operations that meet biological opinion requirements while also protecting those fish and wildlife that are not listed species. Based on the amendment proposals and comments on them, the Council staff developed an initial set of mainstem amendments based on three key elements:

1. A set of principles and considerations for what it means to treat the mainstem as habitat in the Council's habitat-based fish and wildlife program, and to make decisions that benefit all fish and wildlife important to the Council's program and its biological objectives, not just Endangered Species Act-listed species. At times, this may drive the Council to recommend operations that are different than biological opinion operations in order to protect non-listed species.

2. A set of recommendations for addressing research, monitoring, and evaluation priorities and activities in the mainstem, and making better decisions based on that information.

3. Recommendations for managing the hydrosystem in a manner that assures an adequate, efficient, economical, and reliable power supply while also providing appropriate conditions for fish and wildlife.

The initial draft was informed by two special analyses. One was a Council staff analysis of the impact of the mainstem amendment proposals on the operation of the hydrosystem, and the other was an independent review of current scientific knowledge about fish survival in the mainstem rivers. The latter analysis, conducted by Dr. Albert Giorgi and his associates at the firm of BioAnalysis, Inc., was reviewed by the Independent Scientific Advisory Board to further inform the Council about mainstem fish survival science.

Later, the initial draft was revised by Council members and their staffs. The Council planned to release that version for public comment in the fall of 2002.

The schedule for completing the amendments deserves special mention. The Council issued its request for mainstem amendment proposals in March 2001 and asked that they be submitted by June 15 of that year. Because the Northwest Power Act directs the Council to adopt or reject recommendations to amend the program within one year of the date the recommendations are due, the Council should have prepared a draft for public comment, reviewed the comments, made appropriate changes in the draft, and adopted or rejected the amendments by June 15, 2002.

In the spring of 2002, the Council determined it would not be able to meet that date. Columbia River power system operational issues in the last year were

extraordinary. These issues diverted the attention of the Council and relevant staff from being able to give the level of attention to the mainstem plan recommendations that they deserved. More importantly, this meant that the Council, staff, and the public needed more time than usual to understand general power system planning issues in the context of the energy crisis of 2000-2001.

However, the Council did not procrastinate. The members and staff worked consistently on the mainstem plan recommendations and related mainstem issues since receiving the recommendations. Because the mainstem amendment process could not be completed by mid-June 2002, the Council decided to extend the statutory completion date by a few months. The Council released draft amendments for public comment in October 2002 and planned to complete the rulemaking in March 2003.

Subbasin Planning

For planning purposes, the Council divided the Columbia River Basin into 11 ecological provinces, which are groups of geographically proximate subbasins with similar species, climate, and environmental conditions. Among the 11 provinces are a total of 62 subbasins. The Council intends to develop plans for each of these subbasins and amend them into the program.

Subbasin plans will be developed by the Council in collaboration with state and federal fish and wildlife agencies, Indian tribes, and local citizens who have knowledge about fish, wildlife, and environmental conditions in the subbasins. The Council will require that the plans be consistent with the vision, biological objectives, and strategies adopted by the Council. Subbasin plans will address all fish and wildlife in the Columbia River Basin, including Endangered Species Act-listed species, and will be the basis for review and funding of most fish and wildlife projects to implement the program.

Administrative structure and budget:

In Fiscal Year 2002, the Council approved a master contract with Bonneville for subbasin planning, which establishes an administrative structure and contract process. In order to ensure the greatest accountability, tracking, and coordination while still providing the planners within each state some flexibility, the administrative structure approved by the Council includes three levels: subbasin (level 1), statewide/provincial/tribal (level 2), and regional (level 3). The Council's administrative staff, with assistance from the fish and wildlife staff and the legal staff, will administer all subbasin planning contracts. In Fiscal Year 2002, Bonneville established a budget of $15 million for the first two years of subbasin planning.

Council management of the contracts will give Bonneville a single point of responsibility for contract issues. It will also allow the Council to ensure that program goals and policies are being supported through direct contract management. The Council will rely on the statewide/provincial/tribal coordination groups to help track and monitor progress on the contracts and provide information to assist the Council in managing contract issues.

As they are developed, subbasin plans will be reviewed by a panel of independent scientists to ensure they include scientifically appropriate goals, objectives, and strategies, and that alternative management responses have been adequately considered.

Incorporating federal agency responsibilities into subbasin planning:

In Fiscal Year 2002, the Council began the preliminary work that will be needed to develop subbasin plans. The Council worked with Bonneville to reach an understanding of how subbasin plans will address the needs of listed species and nonlisted species. While as of yet, there is no unified plan to coordinate ESA recovery efforts and the Council's program, Bonneville and the

Council agreed that locally developed subbasin plans will provide the priorities, scientific rationale, and context for offsite mitigation requirements in the 2000 Biological Opinions for the Federal Columbia River Power System.

In a December 2001 letter to the Council, Bonneville Administrator Steve Wright said that completion of the subbasin plans will focus and integrate fish and wildlife needs, and that it is in the region's best interest to work within the subbasin planning process to develop a collaborative, unified, and implementable approach that is scientifically, legally, and financially sound. He suggested specific activities that would facilitate integration of the Council's program with those of the federal biological opinions on hydropower operations, including developing:

- A set of regional criteria for research, monitoring, and evaluation;
- Criteria for prioritizing ESA measures within the Council's program;
- A crediting mechanism for action taken under the Council's program and the biological opinions; and
- Subbasin plans that address ESA recovery planning efforts.

Meanwhile, the Council and NOAA Fisheries discussed a collaborative approach to recovery planning that would address ESA and Northwest Power Act requirements. In May 2002, NOAA Fisheries Regional Director D. Robert Lohn told the Council that it is the agency's belief that the Council's program, if well-integrated with state, tribal, and federal planning efforts, is critical for achieving recovery of threatened and endangered salmon and steelhead in the Columbia River Basin. Lohn noted that the 2000 Biological Opinion relies on subbasin plans to identify and prioritize specific actions needed to recover listed salmon and steelhead in tributary and estuary habitats, and to provide context for determining how much benefit is likely from each action or set of actions.

The agency expects subbasin plans to include actions to implement the biological opinion's offsite mitigation actions in the Reasonable and Prudent Alternatives (RPA). Specifically, subbasin planning should provide for RPA habitat actions 149 through 163; and the harvest and hatchery RPA actions 164 through 178 that pertain to, and require, local planning and management. Lohn said the NOAA Fisheries also expects subbasin plans to incorporate research, monitoring, and effective strategies and actions, particularly those described in RPA actions 179, 180, and 183.

The biological opinion requires recovery goals for all listed salmon populations in the Columbia Basin by 2003 (Action 179). The biological opinion also requires a finding that the federal agencies are on schedule to meet offsite mitigation standards (biological opinion section 9.5.2.2). The Council and NOAA Fisheries worked closely in Fiscal Year 2002 to develop a technical guide for subbasin planning so that Council-approved subbasin plans can meet biological opinion requirements and, therefore, help form the basis of ESA recovery plans.

Interim rebuilding targets for ESA-listed species:

In Fiscal Year 2002, the Council worked with NOAA Fisheries as its Interior Columbia Technical Recovery Team developed interim rebuilding targets for listed populations. In April 2002, NOAA Fisheries forwarded to the Council interim abundance and productivity targets that the federal agency plans to replace at a later date with recovery goals. Phase One of the recovery planning effort will develop rebuilding targets and recovery goals; Phase Two will develop policies based on those targets and goals. NOAA Fisheries will collaborate with the Council in implementing Phase Two, as the federal agency believes this effort must be part of, or at least fully coordinated with, subbasin and watershed planning, and state recovery board efforts that already are under way.

Artificial Production of Fish

In Fiscal Year 2002, the Council continued to make progress in evaluating the purpose and goals of all fish hatcheries in the Columbia River Basin. The Artificial Production Facility/Program Review and Evaluation (APRE) is being carried out by a committee of fish experts appointed by the Council. The goal of the APRE is to implement the policies and recommendations of the 1999 Artificial Production Review, which Congress directed the Council to conduct with the assistance of the Independent Scientific Advisory Board (this is a panel of 11 scientists who advise both the Council and NOAA Fisheries). Recommendations for new hatchery policies, goals, and objectives that are developed through the APRE process would be implemented through subbasin plans in the Council's fish and wildlife program.

The APRE will supply artificial production data and information to subbasin planners and assist with the completion of, and coordination with, Endangered Species Act and biological opinion activities related to fish production. The APRE will review more than 300 resident and anadromous fish artificial production programs in the Columbia Basin, and also assist NOAA Fisheries in developing its Hatchery Genetic Management Plans, which are intended to provide ESA coverage for hatchery programs.

The APRE work began in July 2002 in the Columbia Gorge ecological province and will proceed through the other 10 provinces to an anticipated conclusion in June 2003.

Independent economic analysis of fish hatcheries:

As a first step toward developing a cost-effectiveness review process for proposals to build new fish hatcheries in the Columbia River Basin, a panel of independent economists reported to the Council on the costs of rearing and releasing fish, based on a review of eight hatcheries in the Columbia River Basin. According to the report, the cost of rearing fish ranges from a low of about eight cents per fish to a high of about $2.60 per fish, but the cost per surviving adult fish, particularly those that are harvested, is vastly higher. That is largely because many more fish are released from hatcheries than return as adults.

The Independent Economic Analysis Board (IEAB), which is headed by Daniel Huppert of the University of Washington, studied a sample of hatcheries that differed in the type of facility and in their geography. The eight facilities ranged from the mouth of the Columbia River, near Astoria, to the upper reaches of salmon and steelhead distribution in the Columbia River Basin near Leavenworth, Washington; and east to the upper Salmon River of Idaho. Annual costs for the hatcheries ranged from $527,000 at the Priest Rapids hatchery in Washington to $5.25 million for the Nez Perce Tribal Hatchery in Idaho. The Nez Perce hatchery costs are estimates, as the facility is under construction. The Council released the IEAB hatchery analysis for public review in August.

Cost-effectiveness information could help decisionmakers analyze fish harvest regulations as well as the cost-effectiveness of hatcheries and their specific purposes. The economists believe that an analytical approach, if expanded with a broader hatchery cost database than currently is available, could be used to screen new artificial production proposals as long as the goals for each new facility are clear and quantifiable. Developing clear goals for Columbia Basin hatcheries is one task of the APRE.

While the decision to build a new hatchery does not rest solely on economics, a cost-effectiveness analysis of a proposed new hatchery compared to existing facilities and their known costs could help the Council and other decisionmakers select projects that provide biological benefits at the lowest cost to the public. The hatchery program database that will be developed through the APRE process will be useful in developing an analytical

tool for evaluating the cost-effectiveness of future hatchery proposals.

Endangered Species Act Issues

As noted in the section on subbasin planning, under its 2000 Biological Opinion on hydropower operations, NOAA Fisheries expects the Bonneville Power Administration, the Corps of Engineers, and the Bureau of Reclamation to meet their ESA obligations in part through offsite mitigation. NOAA Fisheries believes that the Council's subbasin plans will be a substantial component of offsite mitigation. The 2000 Biological Opinion regarding operation of the Federal Columbia River Power System will rely on the plans to identify and prioritize specific actions needed to recover listed salmon and steelhead in tributary and estuary habitats, and to provide context for determining how much benefit is likely from each action or set of actions.

The federal agencies' one-year plan for implementing the biological opinion embraces projects developed through the Council's provincial review and project selection process as meeting various requirements of the biological opinion. As subbasin plans are developed, they will direct project selection and, therefore, implementation of the Council's program.

The Council has worked with Bonneville and NOAA Fisheries to ensure that the Council's project review and selection process addresses the reasonable and prudent alternatives (RPAs) in the biological opinion. In fact, the Council intentionally accelerated the provincial review process schedule when those reviews began in 2000 in order to address concerns from Bonneville and NOAA Fisheries that the Council process could not act quickly enough to meet biological opinion implementation needs.

As a result, in Fiscal Year 2002 project reviews and recommendations were completed in the Columbia Plateau, Blue Mountain, and Mountain Snake provinces, and the Council recommended that Bonneville fund a number of proposed projects to implement the off-site RPAs of the biological opinion.

Meanwhile, the Council sought guidance from the federal agencies about whether the recommended projects are meeting the objectives of the biological opinion, and whether there are RPAs that should be addressed through additional proposals or modifications to existing proposals. The Council recommended projects to provide riparian buffers, water leases, and protection of currently productive habitat that should meet the goals of the biological opinion. Some of these resulted from a special project solicitation coordinated through the Council's program in response to the emergency hydropower actions in 2001 (this was the "Action Plan" solicitation).

In a related matter, in Fiscal Year 2002 the Federal Habitat Team, which is working to coordinate habitat conservation efforts among federal agencies, began to identify and propose solutions to overcoming institutional and technical impediments to implementing the federal Basinwide Salmon Recovery Strategy. According to the NOAA Fisheries, this included working with the Council to develop subbasin and watershed assessments and plans that provide sufficient context to maximize the benefit of the strategy's conservation programs and actions.

Like the federal agencies, the Council recognizes the importance of coordinating biological opinion implementation with the ongoing programs of the states and tribes. This is significant in implementing the research, monitoring, and evaluation measures of the biological opinion, but also is important in meeting its hatchery and habitat requirements.

The NOAA Fisheries recognizes the importance of collaborating with state and tribal governments and the Council in addressing RPAs, even though such collaboration can be difficult to achieve. The agency expressed support for a more focused effort to improve

collaboration through implementation of the Council's fish and wildlife program and other regional processes.

Other Fish and Wildlife Issues

Fish Passage Center Board of Directors:

The Council's 2000 Fish and Wildlife Program calls for the continued operation of the Portland-based Fish Passage Center, which was created through the Council's program and is funded through the program by Bonneville. The Fish Passage Center provides technical support for fish and wildlife agencies and tribes in planning and implementing operation of the Columbia and Snake river hydroelectric system, specifically carrying out the flow and passage mitigation measures of the fish and wildlife program and the 2000 Biological Opinion.

The 2000 Program states that the "Council will establish and appoint an oversight board for the Fish Passage Center, with representation from the National Marine Fisheries Service, the tribes, the Council and others, to provide policy guidance and assure regional accountability and compatibility with the regional data management system." In Fiscal Year 2002, the Council appointed a seven-member board with the following members:

1) One Council representative
2) One member representing the National Marine Fisheries Service
3) One member representing upper Columbia River Basin tribes
4) One member representing lower Columbia River Basin tribes
5) One non-tribal member representing fish and wildlife managers
6) One member from the independent scientific community
7) Two members from the public at large

The new oversight board replaced and assumed the duties of the previous board. The Council directed the new board to help define a Fish Passage Center statement of work, which will be presented to the Council for review and approval. The Council also asked the new board to increase the transparency and public accountability of Fish Passage Center operations. The Council anticipates that ultimately the Columbia Basin Fish and Wildlife Authority will assume operation of, and provide staff support for, the Board.

Crediting wildlife habitat benefits against estimated losses:

The construction and operation of hydroelectric dams affected wildlife as well as fish in the Columbia River Basin. Congress recognized this in the Northwest Power Act and directed the Council to address wildlife as well as fish in the Columbia River Basin Fish and Wildlife Program. The 2000 Fish and Wildlife Program treats habitat as an ecosystem that includes both fish and wildlife.

The program includes estimates of wildlife losses attributable to hydropower construction, but there is no agreement on the full extent of wildlife losses due to the operation of the hydrosystem, nor has there been agreement on how to credit wildlife benefits resulting from habitat acquisitions and improvements through the Council's program. Despite this disagreement, hundreds of thousands of acres of wildlife habitat have been acquired and improved, and the Council estimates that about 40 percent of the estimated losses have been mitigated.

The primary dispute regarding the full extent of losses and crediting for mitigation is between the Council and Bonneville. To address the dispute, the Council created

a subcommittee of Council members to provide policy direction to the staff in discussing the crediting dispute with Bonneville staff. Those discussions continued in Fiscal Year 2002.

Data management:

The Council continues to work with fish and wildlife agencies and tribes to improve fish and wildlife data management. In Fiscal Year 2002, the Council approved a memorandum of agreement with the NOAA Fisheries that committed the two agencies to a cooperative approach to plan and develop an information system for the Columbia River Basin. The information system will help both agencies meet their mandates in federal law.

The agreement committed the agencies to develop solutions to certain information system problems within six months of signing the agreement, a blueprint for the new system within a year, and implementation of the new system within three years. The project is using a collaborative process involving entities with a broad array of science, management, decision-making, and public outreach interests in the region to evaluate current information management approaches and identify future needs. From this research, a clear understanding of gaps in the ability of current efforts to meet future needs will be gained, and recommendations for improvement developed.

Public Involvement

One of the Council's primary tasks is to fulfill the directive of the Northwest Power Act to inform Northwest citizens about regional energy and fish and wildlife issues, and to involve them in 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."

To involve the public, the Council arranges consultations and public hearings to discuss and explain key issues, and also gathers public comments at these meetings and through mail, e-mail, and telephone contacts. To inform the public, the Council produces a newsletter as well as special informational materials, media briefings, and several types of news releases. The Council also regularly updates its website (www.nwcouncil.org) and uses other approaches to inform interested citizens about fish, wildlife, and energy issues. The Council conducts all its regular meetings and committee meetings in public.

In Fiscal Year 2002, the Council continued these activities. The Council produces a newsletter, *Council Quarterly*, and a variety of special publications that are intended to support Council activities or provide information about the energy and fish and wildlife issues. In 2002, one of the Council's special publications was the "Pocket Guide," which includes facts and figures about the Columbia River.

The Council also joined with Bonneville to conduct a series of public meetings on the future of Bonneville after the current power sales contracts expire in 2006. The Council and Bonneville believe that important questions about Bonneville's future should be addressed now, far in advance of the next five-year rate period, to seek regional opinions about the future of the agency and, if Bonneville determines to change its current policies, to give surety to Bonneville's customers. Key issues for discussion are how Bonneville's power should be divided among the region's electric utilities, and whether Bonneville's direct-service industrial customers, primarily Northwest aluminum smelters, should continue to have access to the federal power supply, and under what conditions.

The Council developed its own recommendations for Bonneville's future following the public meetings.

Council Budget

In 1997 the Council agreed with Bonneville to make budget cuts totaling approximately $5.4 million over four years, Fiscal Years 1998 through 2001. At that time, it was anticipated that the Council's role would diminish in power planning and fish and wildlife program development. Much of the Council's budget cuts in 1997 were based on those predictions.

Instead, the Council's role and workload has increased substantially. Electricity industry restructuring is far from being fully implemented and as a result, the Council continues to be heavily involved in regional power resource planning, hydrosystem operations analysis, energy system reliability and adequacy forecasting, and conservation resource development. In addition, the Council has increased accountability for fish and wildlife spending, and implemented a new project selection process, including site review at the province level by the Independent Scientific Review Panel. The Council is also guiding the development of subbasin plans throughout the region, and is amending its fish and wildlife program. In short, the Council has an enhanced role and new responsibilities in the region for fish and wildlife restoration.

These proposed budgets reflect increased contracting needs in the Power Division during development of the Fifth Northwest Power Plan in Fiscal Year 2003, and illustrate the Council's efforts to contain costs by absorbing inflationary increases over the next two years. The Council's Fiscal Year 2003 revised budget of $8,493,000 is $154,000 higher (1.8 percent) than the current year 2002 budget of $8,339,000. The proposed Fiscal Year 2004 budget of $8,499,000 is $6,000 higher (0.08 percent) than the revised Fiscal Year 2003 budget.

This budget was adopted at the August 13-14, 2002, Council meeting.

More Information

For additional details about the Northwest Power Planning Council's activities, budget, meetings, comment deadlines, policies, or bylaws, call 1-800-452-5161 or visit our web site at http://www.nwcouncil.org. Copies of our publications are available at the web site or by calling the toll-free number above. All Council publications are free.

Comments of the Bonneville Power Administration

Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

December 19, 2002

In reply refer to: DR-7

Mr. Frank L. Cassidy, Jr., Chairman
Northwest Power Planning Council
851 SW Sixth Avenue, Suite 1100
Portland, OR 97204

Dear Mr. Cassidy:

Thank you for the opportunity to review and comment on the Northwest Power Planning Council's (Council) 22nd Draft Annual Report. Our editorial comments were provided under separate cover.

The Council can certainly point to a number of significant contributions to the region over the past year. In particular, Bonneville Power Administration (BPA) appreciates your leadership in the Provincial Review Process. Your initiatives to integrate Endangered Species Act implementation requirements of the Federal Columbia River Power System (FCRPS) with the broader objectives of the Council's Fish and Wildlife Program have taken the region much further down the road toward a unified plan for fish recovery.

We also want to thank the Council for working with us on proposals for how BPA will market power and distribute costs and benefits of the FCRPS in the Pacific Northwest after 2006. The public meetings that we jointly sponsored this summer and fall yielded valuable input from a wide range of stakeholders. We look forward to review and consideration of the Council's specific proposals on our Post-2006 decision, and working with you as we make these important decisions that will affect the region for many years to come.

Finally, we have watched with interest the Council's work toward mainstem rulemaking this year. The Council has the unique responsibility among regional interests to balance the needs of fish and wildlife with its obligation to ensure an economic and reliable power supply. As such, the Council's mainstem rulemaking is an important comprehensive review of the biological

and policy implications of hydrosystem actions. We anticipate that the final mainstem rulemaking will receive careful consideration in Biological Opinion implementation planning.

Thank you for your leadership, your contribution to the region, and your support during this past year. I look forward to continuing our strong and effective working relationship in the coming year.

Sincerely,

(Sgd.) Stephen J. Wright

Stephen J. Wright
Administrator and
Chief Executive Officer

cc:
Northwest Power Planning Council Members
Mr. Steve Crow, Executive Director, NWPPC

Council Members (2002) and Offices

IDAHO

Judi Danielson, Vice Chair
Jim Kempton

450 W. State (UPS and DHL only)
Box 83720
Boise, Idaho 83720-0062
Telephone: 208-334-6970
Fax: 208-334-2112

MONTANA

Ed Bartlett
John Hines

Capitol Station
Helena, Montana 59620-0805
Telephone: 406-444-3952
Fax: 406-444-4339

OREGON

Eric Bloch (replaced by Melinda Eden in January 2003)

851 S.W. Sixth Avenue, Suite 1020
Portland, Oregon 97204
Telephone: 503-229-5171
Fax: 503-229-5173

John Brogoitti (replaced by Gene Derfler in November 2002)

Northwest Power Planning Council
11 S.W. Byers Avenue
Pendleton, Oregon 97801
Telephone: 541-276-0657
Fax: 541-276-0995

WASHINGTON

Frank L. "Larry" Cassidy, Jr., Chair
Vancouver:

c/o Flo -Rite Products
P.O. Box 2187
Vancouver, WA 98668
Telephone: 360-693-6951
Fax: 360-699-4093

Tom Karier

W. 705 First Avenue, MS-1
Spokane, WA 99201-3909
Telephone: 509-623-4386
Fax: 509-623-4380

Olympia Office:
Telephone: 360-902-2302 or 2306
Fax: 360-902-2319
1111 Washington Street Southeast, Fifth Floor
Mail Stop 43200
Olympia, WA 98501-1091

CENTRAL OFFICE

851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204
Telephone: 503-222-5161
Fax: 503-820-2370
Toll Free: 1-800-452-5161

Executive Director: Steve Crow
Power Division Director: Dick Watson
Fish and Wildlife Director: Doug Marker
Public Affairs Director: Mark Walker
General Counsel: John Shurts
Administrative Officer: Jim Tanner