

Concepts for new long-term funding agreement

Presentation to the Council
November 19, 2003

Major points

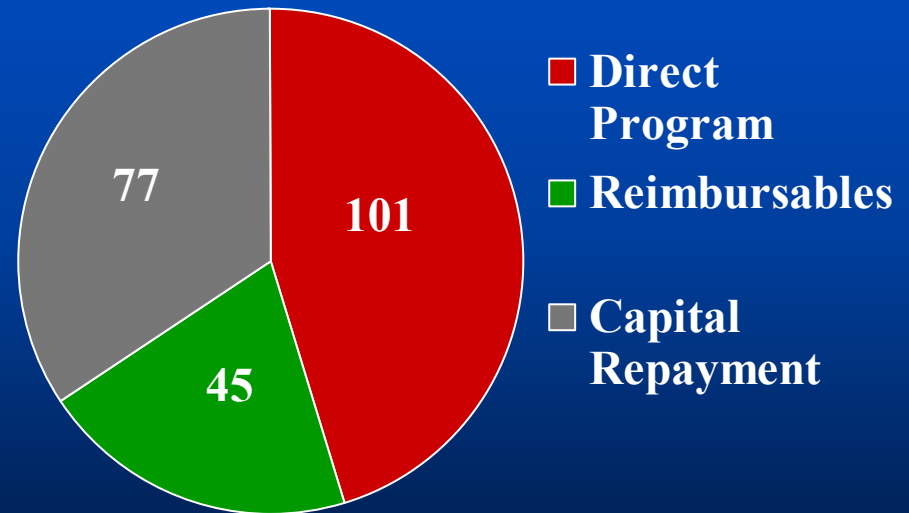
- Scope of agreement
- Schedule for completion
- Bonneville's desire to define obligations
- Potential cost estimation by objectives
- Role of the Council in confirming adequacy for implementation

Program Scope

- Encompass Bi-Op implementation costs within overall Program costs?
- Confine to current “direct” funding or include Corps, BOR, FWS costs
- Separate from river operations costs (flow augmentation, spill)?
- Include capital borrowing for Program implementation?

Traditional categories of Bonneville's non-operational costs

- **Direct program** implements Council Program and incorporates off-site Bi-Op requirements
- **Reimbursables** include operating Corps, Bureau and FWS fish projects at dams and for production
- **Capital repayment** is the annual payment to the Treasury for past capital investments

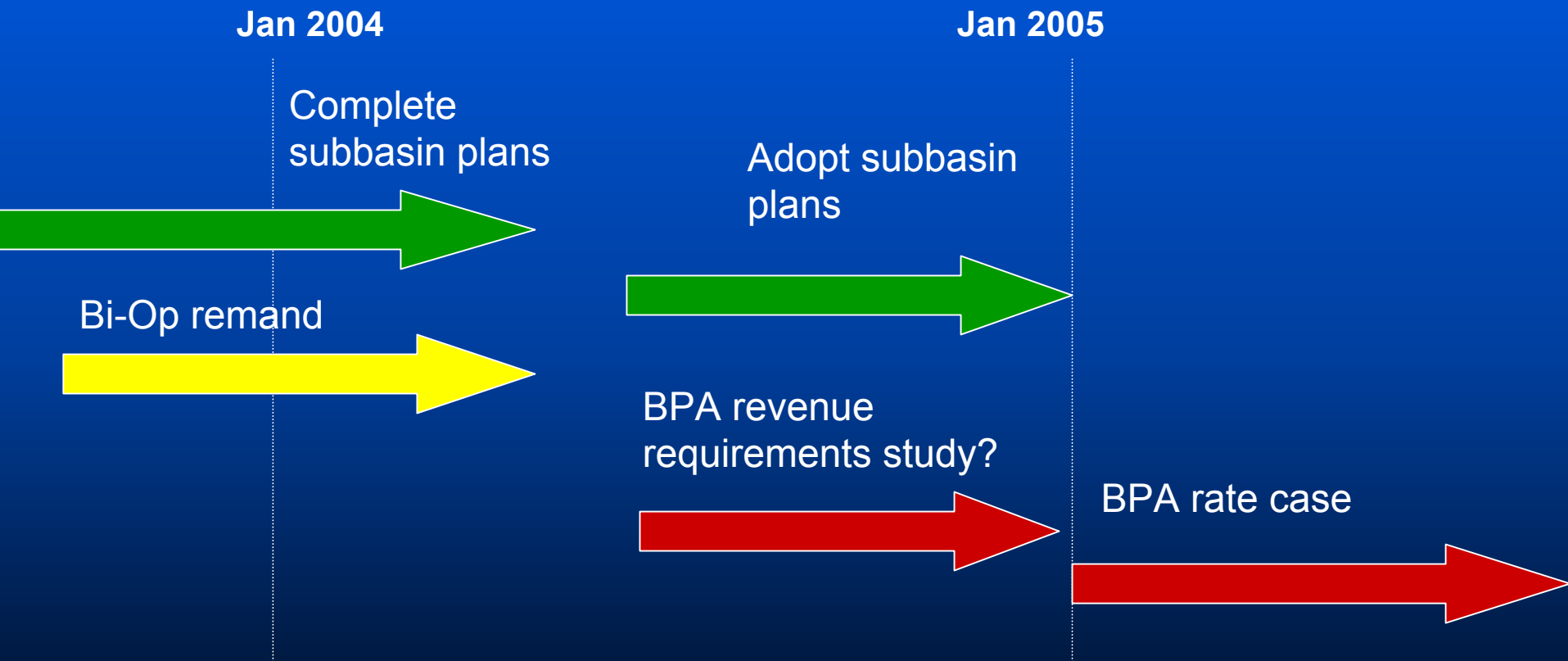


FY 2001 reported actuals in millions

Schedule for completion

- 2007-2011 rate case schedule not yet set
- Essential to include potential fish and wildlife costs in revenue requirements studies for rate case
- Late 2004 seems most likely due date for revenue requirements
- Bonneville may choose shorter rate case, but revenue requirement study still needed.

Schedules



Initial issues

- Bonneville wants its obligations defined before negotiating an agreement
- Sub basin plan implementation needs aren't defined
- NOAA and FWS have not updated Bi-Op requirements
- States and tribes point to significantly larger needs than current annual budgets provide

Other issues

- Management provisions for project funding, tracking and reporting
- Definition of access to capital funds
- Allocation among ESA and non-ESA projects
- Dispute resolution
- Issue assignment: a negotiated agreement or amending the Program

Status

- Bonneville has defined broad objectives preceding a negotiation and within a negotiation
- Tribes are consulting with their policy leadership on objectives – Affiliated NW Tribes resolution stated principles
- Council and BPA worked on restoring short term program stability through management protocols
- Staff have discussed schedule and scope issues.

Bonneville's interests in agreement

“BPA is willing to explore the possibility of a broader, long term Memorandum of Agreement on fish and wildlife costs for the post-2006 period, providing it provides a clear definition of BPA's obligations, outcomes to be achieved, cost-effectiveness tests, and contemplates the ability to tie funding to Bonneville's financial health so that funding adjusts in correlation to good and bad times”.

Administrator Steve Wright to Council Chair Judi Danielson; October 3, 2003

The Program's role to define hydro system impacts and mitigation goals

- 1987 Program adopted an interim goal of doubling the run of 2.5 million fish
- Estimated that hydrosystem was responsible for loss of 8 million fish
- 2000 Program refined interim objectives based on halting decline and health of populations by 2012
- Adoption of subbasin plans expected to further refine goals.

Possible approach

- Define Bonneville obligations for rate case only
- Review long-term hydro impact and mitigation obligations in Program (2005)
- Define specific implementation goals for strategies in the Program, including off-site Bi-Op requirements

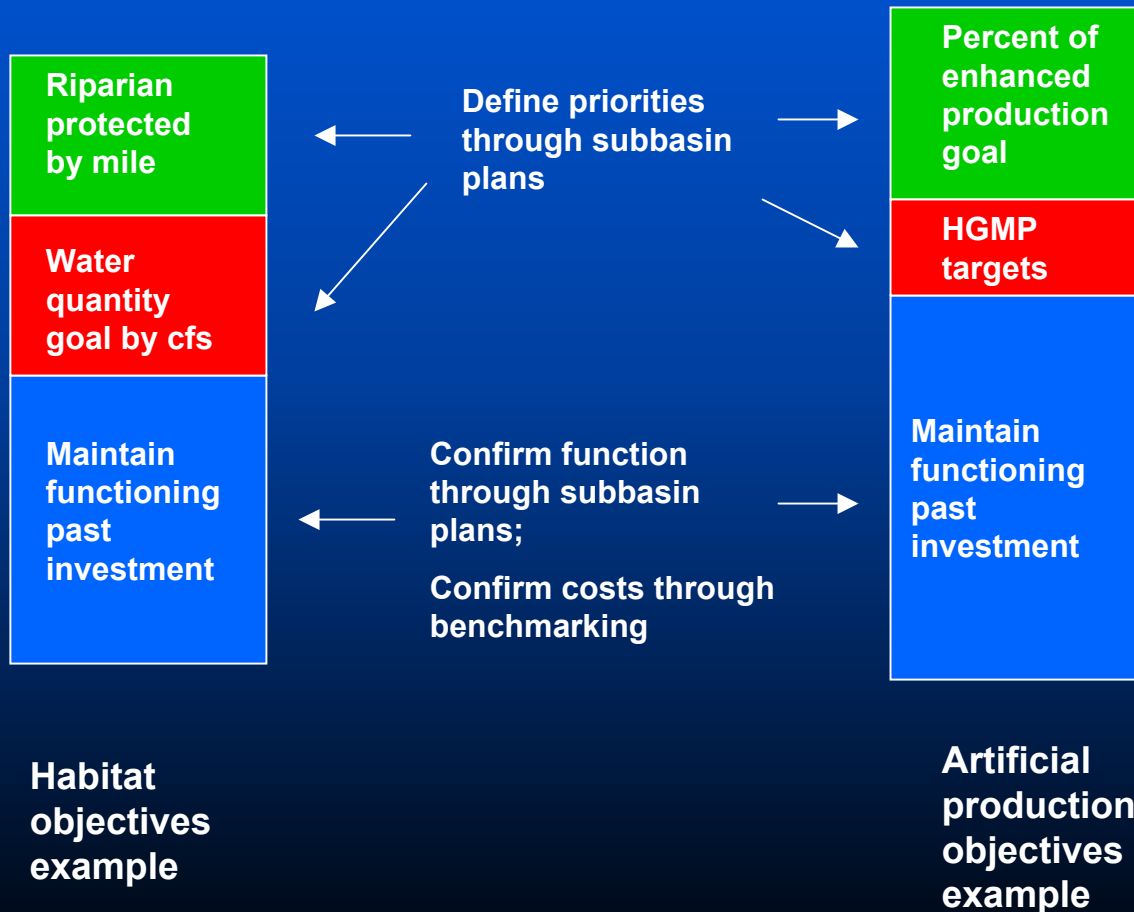
Obligations – focus on the rate case period: An approach

- Incorporate off-site Bi-Op requirements within scope of implementing subbasin plans
- Set regional scale goals for accomplishments within that period
- In short term, focus on improving management and delivery of accomplishments

A performance based approach

- Define specific accomplishments appropriate for the next rate case
- Use to define an accomplishments-based estimate
- Negotiate in terms of goals and accomplishments – not solely dollars
- Preserve flexibility to implement subbasin plans

Potential objectives through goal-setting by strategy



Advantages

- Is an achievable exercise for setting goals
- Past implementation provides basis for cost estimates
- Provides basis for annual accomplishments reporting and progress towards goals
- Focus is on performance – costs can be tracked to increase efficiency
- Fits with state/tribal tracking and current effectiveness monitoring structure

Challenges

- How to allocate effort among provinces?
- Categorizing strategies will be complicated
- How to fit with strategy definition in subbasin plans
- Could lead to “earmarking” Program budget for less flexibility

Standard of review

- Council will need to endorse adequacy of cost estimate for Program
- Council can consult with NOAA, FWS for incorporation of Bi-Op requirements
- Council can consult with co-managers and subbasin planners on assumptions for cost estimates; adequacy for Program