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March 8, 2005

To: Council Members

From: Doug Marker, Director
Fish and Wildlife Division

Subject: Status of Fish and Wildlife funding assumptions in the Bonneville rate case and a long-term funding agreement

At the Council meeting I will brief you on the status of development of fish and wildlife funding assumptions for the 2007-2009 Bonneville rate case and our continuing efforts to develop a management agreement for Program funding.

At last month's Council meeting you heard comment from tribal representatives and utility customers of Bonneville. The tribal representatives urged the Council to support expanded funding directed at subbasin plan implementation and the capacity to continue other Program initiatives. Virgil Lewis, Sr., of the Yakama Tribal Council asked the Council to become a party to the rate case itself this fall.

Utility customers expressed a number of concerns about the Program costs and cautioned Bonneville against "locking in" to a definite funding agreement, particularly out of concern about the pending litigation on the Biological Opinion for the hydropower system.

Last week Bonneville announced that it plans to release a draft "closeout" letter on cost projections for the rate case on May 2nd. It will then take additional comment. The final closeout letter is scheduled for June 15th. Bonneville will hold another workshop on its fish and wildlife costs on April 5 and a "management-level discussion" on April 18 (see attached notice from Bonneville).

The staff discussions with Bonneville have focused in two areas: the issues about the funding assumption that Bonneville will propose in the rate case, and the scope of a management agreement. We reviewed the issues about funding levels with the Council last month and need to continue discussions with you. As a reminder, Bonneville reiterates an objective to reduce the amount of current funding for monitoring and evaluation, research and coordination to no more than 30 percent of the program budget so that an increased proportion of the Program budget can be allocated to "on the ground" projects. Bonneville also proposes that the Program's target

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allocation among anadromous, resident fish and wildlife projects remain at a 70-15-15 percentage target.

Bonneville has two objectives for a management agreement which we described to you last month. Bonneville seeks to incorporate a definition, or at least a clear process, to establish performance targets for Program funding and a mechanism to establish an approach to cost sharing as a criterion for project funding. The Council staff has recommended to the Council that these objectives are more properly addressed in Program amendments or the development of the next project review process with the opportunity for regional participation in these issues.

Our discussion of initiating a program amendment process to for the recommendation and adoption of province objectives should, at least in part, provide an avenue for consideration of the performance objectives Bonneville seeks. Similarly, either program amendments or the definition of criteria for the next project selection process (which we expect to discuss at next month's meeting) can address specific standards for cost sharing if the Council agrees with Bonneville on pursuing more definite terms.

Attachment: Revised Schedule of Meetings, March 4, 2005

Revised Schedule of Meetings – March 4, 2005

Bonneville Power Administration's Power Function Review

Changes have been made to the Power Function Review schedule:

Please see the schedule below for a complete list of dates and times for all Power Function Review (PFR) workshops and meetings. Changes have been made to the previously released schedule dated January 26, 2005. These changes were primarily made to respond to requests from PFR participants that BPA issue a draft of its PFR closeout letter and take comment on it before making the closeout letter final. BPA has agreed to do this, requiring that the PFR closeout meetings be delayed until after the draft closeout letter is available. The draft closeout letter will be released on May 2nd. The final closeout letter for the PFR process will be issued on June 15th.

- More time was needed at the March 1, 2005 technical workshop on internal operations costs charged to power rates, so another two hour meeting has been added on March 10, 2005 to finish this discussion.
- The technical workshop originally scheduled for April 20th has been moved to May 9th, so that it will come after the draft closeout letter that will be issued May 2nd.
- The management level discussion originally scheduled for April 27th has been moved to May 16th so that it will come after the draft closeout letter is available, and after the technical workshop on the closeout letter.
- The comment period has been extended from April 29th to May 20th, to allow for comment on the draft closeout letter.

The Bonneville Power Administration's (BPA's) Power Business Line (PBL) began a Power Function Review in January 2005 to allow interested parties meaningful opportunities to examine, understand and provide input on the cost projections that will form the basis for the FY 2007 wholesale power rate case. The PFR encompasses a broad spectrum of involvement opportunities - from the general manager and leadership level to the technical level to the general public. The input we receive will be considered in establishing program costs for the FY 2007 rate case initial proposal, which is expected in the fall of 2005. Comments will be accepted through May 20, 2005.

Power Function Review Opening Workshop:

January 25, 2005 – Time: 8:30 a.m. – 12:00 p.m., BPA Rates Hearing Room, 911 NE 11th Avenue
Topic: PFR Opening Workshop along with presentation on how this fits into the rate setting process. To participate by phone, please contact Cynthia Jones at (503) 230-5459 or Cain Bloomer at (503) 230-7443.

Technical Workshops:

Note: The starting time for these technical workshops is 9:00 a.m. except for the meeting scheduled for May 16th.

All technical workshops will be held in the Rates Hearing room, located at 911 NE 11th Avenue. To participate by phone, please contact Cynthia Jones at (503) 230-5459 or Cain Bloomer at (503) 230-7443.

February 1, 2005 – Time: 9:00 a.m. – 12:00 p.m., Topic: Transmission acquisition costs

February 8, 2005 – Time: 9:00 a.m. – 4:00 p.m., Topic: A.M. – Conservation program costs / P.M. - Renewables program costs

March 1, 2005 – Time: 9:00 a.m. – 4:00 p.m., Topic: A.M. - Internal operations costs charged to power rates / P.M. - Federal and Non-Federal Debt Service and Debt Management

*****New Meeting*****

March 10, 2005 – Time: 9:00 a.m. – 11:00 a.m., Topic: Follow-up discussion on March 1, 2005 discussion of internal operations costs charged to power rates

March 15, 2005 – Time: 9:00 a.m. – 4:00 p.m., Topic: A.M. - Columbia Generating Station / P.M. - Corps of Engineers and Bureau of Reclamation operation and maintenance costs and capital investments

April 5, 2005 – Time: 9:00 a.m. – 4:00 p.m., Topic: Fish & Wildlife program costs, both expense and capital

April 6, 2005 – Time: 9:00 a.m. – 4:00 p.m., Topic: Risk Mitigation Packages and Tools

*****Revised meeting date and 1:00 p.m. starting time*****

May 9, 2005 (previously scheduled for April 20) – Time: 1:00 – 4:00 p.m., Topic: Summary of what we've heard and discussion of outstanding issues and draft closeout letter

Management-Level Discussions:

To participate by phone, please contact Cynthia Jones at (503) 230-5459 or Cain Bloomer at (503) 230-7443.

February 23, 2005 (previously scheduled for February 15) - Time: 9:00 a.m. – 4:00 p.m., BPA Headquarters, 905 NE 11th Avenue, Room 122, Topics: Transmission acquisition costs, program costs for Conservation and Renewables

March 16, 2005 - Time: 9:00 a.m. – 4:00 p.m., BPA Rates Hearing Room, 911 NE 11th Avenue
Topics: Columbia Generating Station, Corps of Engineers and Bureau of Reclamation operation and maintenance costs and capital investment

March 17, 2005 - Time: 9:00 a.m. – 4:00 p.m., BPA Rates Hearing Room, 911 NE 11th Avenue
Topics: Internal operations costs charged to power rates, Federal and Non-Federal Debt Service and Debt Management

April 18, 2005 (previously scheduled for April 12) - Time: 9:00 a.m. – 4:00 p.m., BPA Rates Hearing Room, 911 NE 11th Avenue, Topics: Risk Mitigation Packages and Tools, and Fish & Wildlife program costs, both expense and capital

*****Revised meeting date and starting time*****

May 16, 2005 (previously scheduled for April 27) – Time: 9:00 a.m. – 12:00 a.m., BPA Rates Hearing Room, 911 NE 11th Avenue

Topic: Summary of what we've heard, outstanding issues, draft closeout letter, and discussion with Administrator

Regional Meetings:

Portland/April 13, Registration: 4:30 p.m., Meeting: 5:00 – 9:00 p.m., BPA Rates Hearing Room, 911 NE 11th Avenue

Seattle/April 14, Registration: 4:30 p.m., Meeting: 5:00 – 9:00 p.m., Mountaineers Headquarters, 300 Third Avenue W.

Idaho Falls/April 19, Registration: 4:30 p.m., Meeting: 5:00 – 9:00 p.m., Red Lion, 475 River Parkway

Missoula/April 21, Registration: 4:30 p.m., Meeting: 5:00 – 9:00 p.m., WinGate Inn, 5252 Airway Blvd

Spokane/April 26, Registration: 4:30 p.m., Meeting: 5:00 – 9:00 p.m., Airport Ramada Inn, 8909 Airport Road

Attendees to the meetings located at BPA Headquarters should plan on arriving early to pass through security. Valid picture ID will be required. Non US citizens must provide a valid passport.

Any changes to the times and/or locations of the above meetings will be posted on BPA's Power Function Review Web site: www.bpa.gov/power/review

Comment Opportunities:

The comment period for the PFR opens Tuesday, January 25, 2005 and closes Friday, May 20, 2005.

You have several options to provide comments to BPA:

1. Attend one or more of the meetings listed above and give BPA your comments.
2. Discuss your input with your Customer Account Executive, Constituent Account Executive, or Tribal Liaison.
3. Submit written comments to Bonneville Power Administration, P.O. Box 14428, Portland OR 97293-4428.
4. Submit comments via e-mail to: comment@bpa.gov or submit on-line at: <http://www.bpa.gov/comment>
5. Comments can also be sent via fax to (503) 230-3285.