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May 3, 2005

To: Council Members

From: Doug Marker, Director
Fish and Wildlife Division

Subject: Bonneville's Draft Closeout Proposal for Fish and Wildlife Program Funding

Bonneville has released for comment its proposal for its cost assumptions for the 2007-2009 rate case. These include funding assumptions for the Council's Fish and Wildlife Program. I am preparing recommendations for comment for the Council's consideration at next week's meeting.

The proposal is for an average of \$143 million a year in expense compared to \$139 million a year in the current rate period. The annual capital budget would be \$36 million. This proposal is based on several assumptions:

- Providing for increased habitat implementation capacity by reducing regional research, monitoring and evaluation costs and by assuming that a portion of inflation can be absorbed in ongoing project costs.
- That the wildlife program will be funded primarily from the capital budget. Bonneville's proposal acknowledges the constraints on wildlife program implementation caused by its capitalization policy but does not provide additional capacity in its expense budget as a remedy.
- Artificial production and mainstem survival projects remain within current funding levels adjusted for a low level of inflation (6.5 percent).
- Bonneville's internal program support costs are \$11 million a year and remain a part of the total program expense budget.

With these assumptions, Bonneville believes habitat implementation guided by subbasin plans can increase by \$15 million a year above the average spending in 2001-2004 (\$36 million including operations and maintenance of past investments). The major risk factors for achieving that objective is in reducing research, monitoring and evaluation so far below current funding

levels, especially given Biological Opinion requirements, and managing inflation in the costs of operations and maintenance in the program. The assumption that wildlife mitigation can be achieved with capital borrowing authority depends on more flexibility in using those funds than we have experienced in the last three years.

Bonneville seeks comment on its draft proposal by May 20.

Fish and Wildlife Costs for the BPA Rate Case

May 2005

Purpose of Presentation

- ◆ Need to develop fish and wildlife costs for next BPA rate case
 - Implement Council Program and FCRPS Biological Opinions
 - BPA will soon determine funding for FY 2007-2009
- ◆ Seeking Council action:
 - Inform BPA of the need to incorporate costs of implementing the Program into next rate case
 - Work with fish and wildlife managers to:
 - » Determine whether subbasin plans will meet Council goals
 - » Prepare detailed workplan to implement the Program

Process on Fast Track

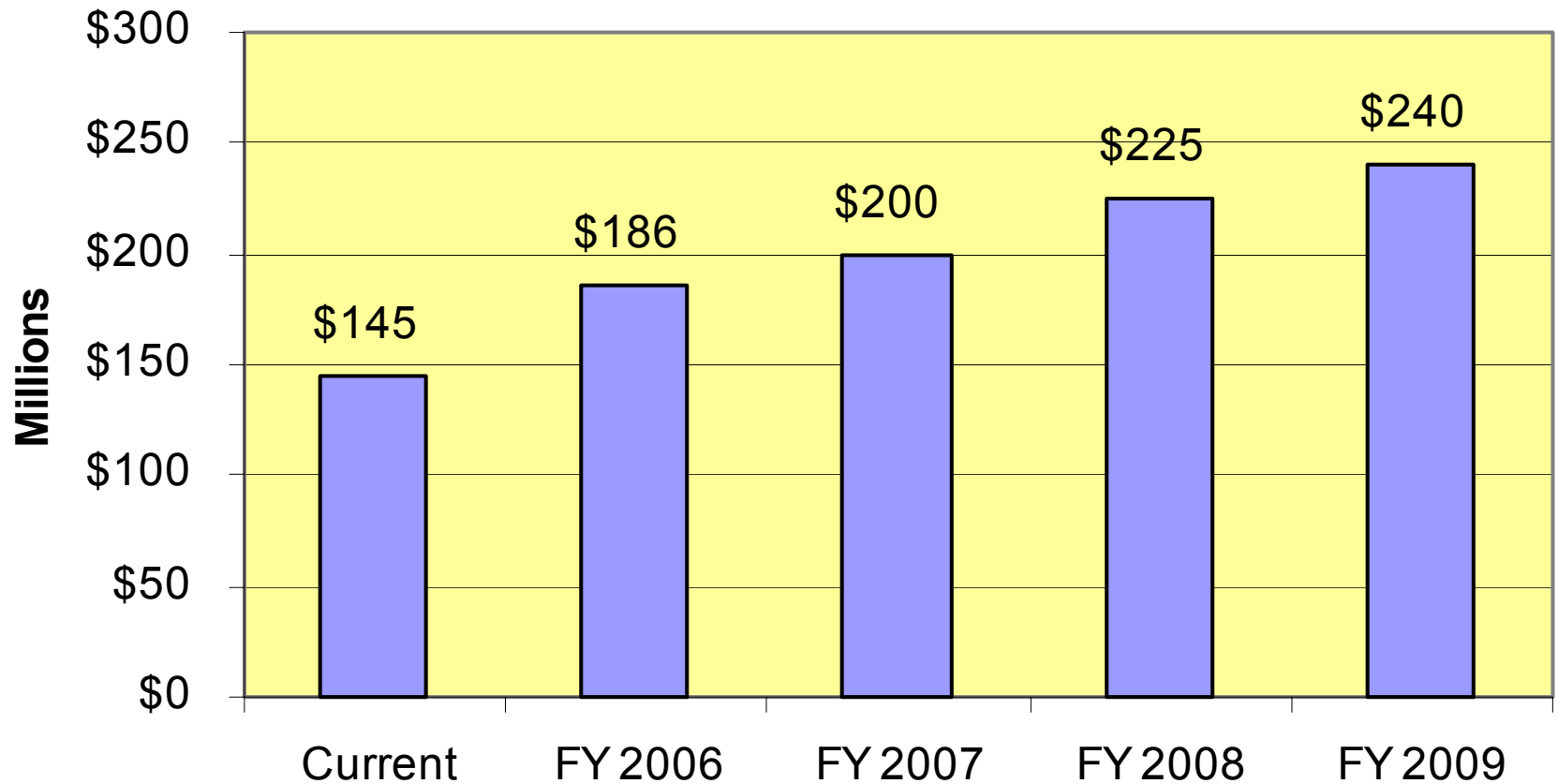
- ◆ Council and BPA staff developed compartments for Integrated Program
 - Assumptions about increases and decreases in funding
- ◆ CBFWA working group developed costs for subbasin plans and wildlife
- ◆ Comments on BPA proposed funding levels due May 20th
 - BPA has taken the position that all program funding levels will be decide in Power Function Review
 - BPA will not address program funding in the rate case

CBFWA Workgroup Methodology

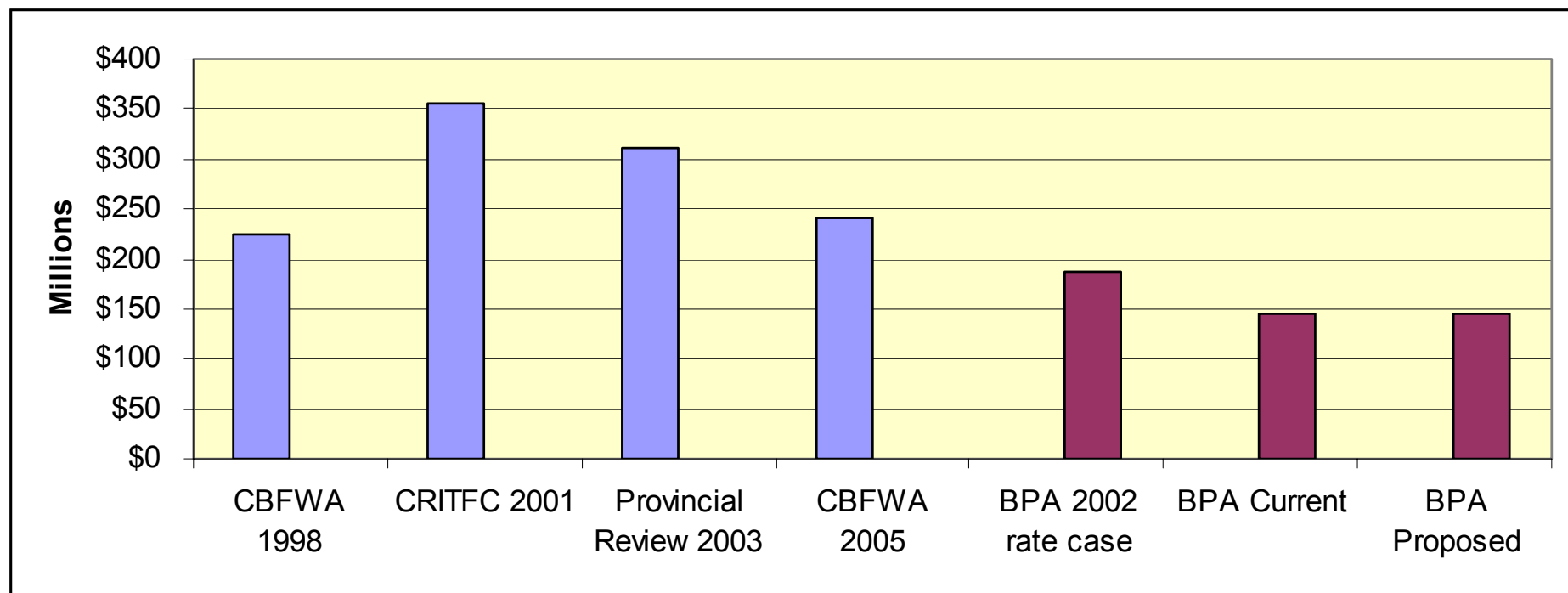
- ◆ Developed costs for 30 subbasin plans
 - Extrapolated others based on land area
- ◆ Compiled subbasins into Provinces
- ◆ Added the habitat and production costs to the total Integrated Program
 - Total subbasin plans \$1.8 billion
 - Wildlife: \$300 million
- ◆ Current budgets provide sufficient detail to size the effort
- ◆ Determined feasibility of ramp up
 - Assumed increased infrastructure for habitat work

Funding Needs for Integrated Program

Integrated Fish and Wildlife Program



Comparison of F&W Costs



CBFWA Workgroup costs being reviewed by CBFWA membership

Concerns with BPA Proposal

- ◆ Does not include inflation--\$17 million impact
- ◆ Assumes \$8 million reduction in research, monitoring and evaluation (25 percent reduction with inflation)
- ◆ Assumes \$2.9 million cut in information, monitoring, coordination, & administration (40 percent cut with inflation)
 - StreamNet (\$2.4 million)
 - PIT tag info system (\$2.1) million
 - CBFWA (\$1.7 million)
 - Fish Passage Center (\$1.3 M)
 - ISRP/ISAB (\$1.1 million)
 - CRITFC watershed support (\$0.27 million)
 - Second-Tier Database (\$0.24 million)
 - Columbia Basin Bulletin (\$0.17 million)

BPA Proposal with Adjustments

Table 4: BPA Proposal with Inflation and Funding Adjustments*

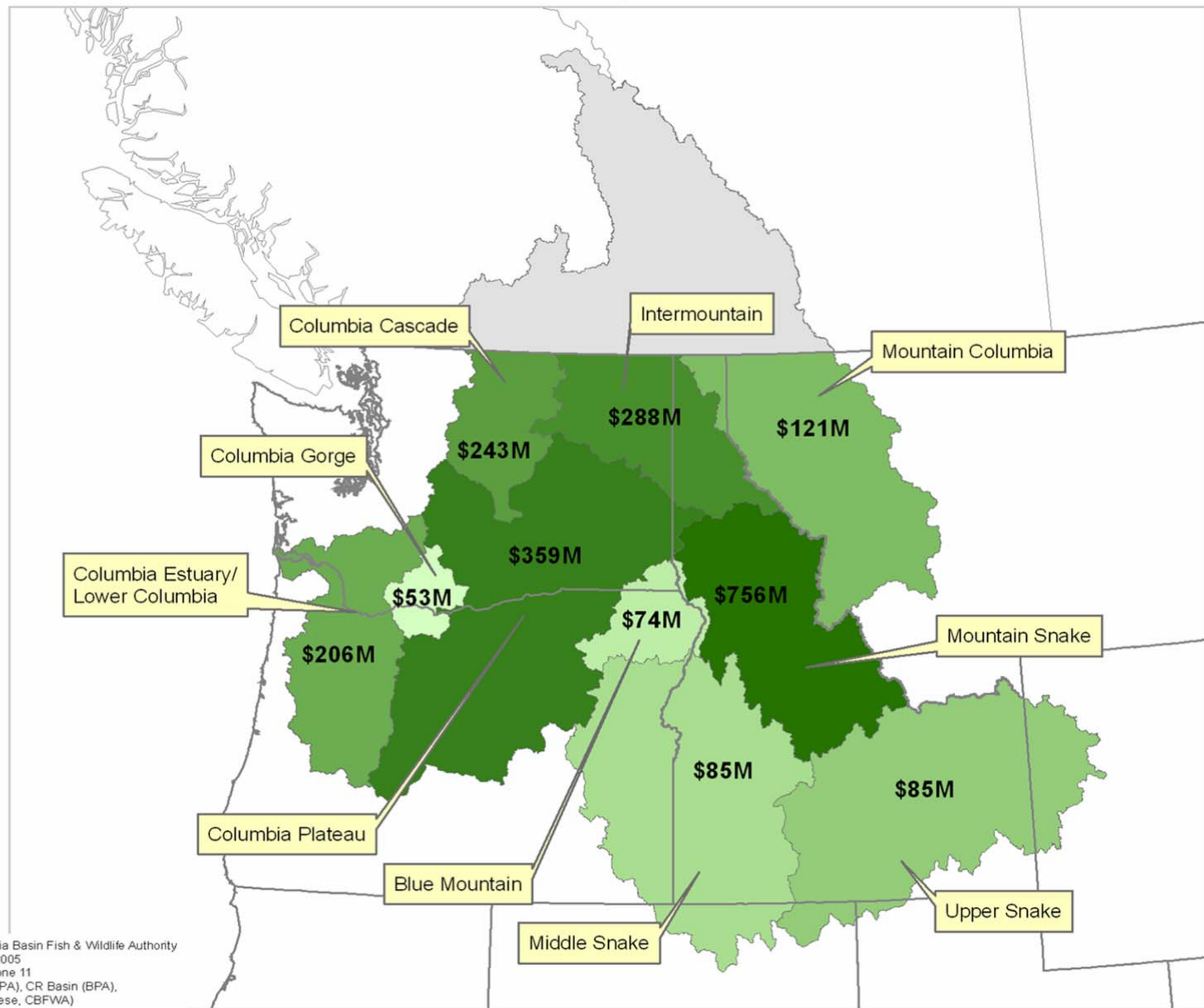
	FY 2001-2004			Complete Program
	Average (\$'08)	Proposal	Difference	
RM&E	\$ 45,503,641	\$ 45,503,641	\$ -	Never
IMCA	\$ 12,175,751	\$ 12,175,751	\$ -	
Production	\$ 44,398,447	\$ 38,400,000	\$ (5,998,447)	
Mainstem	\$ 7,132,115	\$ 5,300,000	\$ (1,832,115)	
Habitat	\$ 39,732,448	\$ 30,800,000	\$ (8,932,448)	
New BiOp/SBP	\$ -		\$ -	84 years
BPA Overhead	\$ 12,208,294	\$ 11,000,000	\$ (1,208,294)	
TOTAL	\$ 161,150,696	\$ 143,179,393	\$ (17,971,303)	

*Inflation over 7 years and current level of effort for RM&E and IMCA

Benefits and Costs

- ◆ Implementation achievements:
 - Protection for more than 48,000 acres of habitat;
 - Improvements to more than 1,300 miles of streams;
 - Construction of almost 1,600 miles of fence
 - Enhancement activities on more than 75,000 acres of habitat;
 - Correcting passage problems at more than 1,200 diversions and culverts; and,
 - Additions or major enhancements to fish production facilities in 11 subbasins.
- ◆ Creates thousands of jobs
- ◆ Increases rates
 - \$1 per month for ratepayers of utilities that buy all their power from BPA
 - Less for the majority of the region

Figure 2. Estimated Future Fish and Wildlife Investment to Implement Subbasin Plans

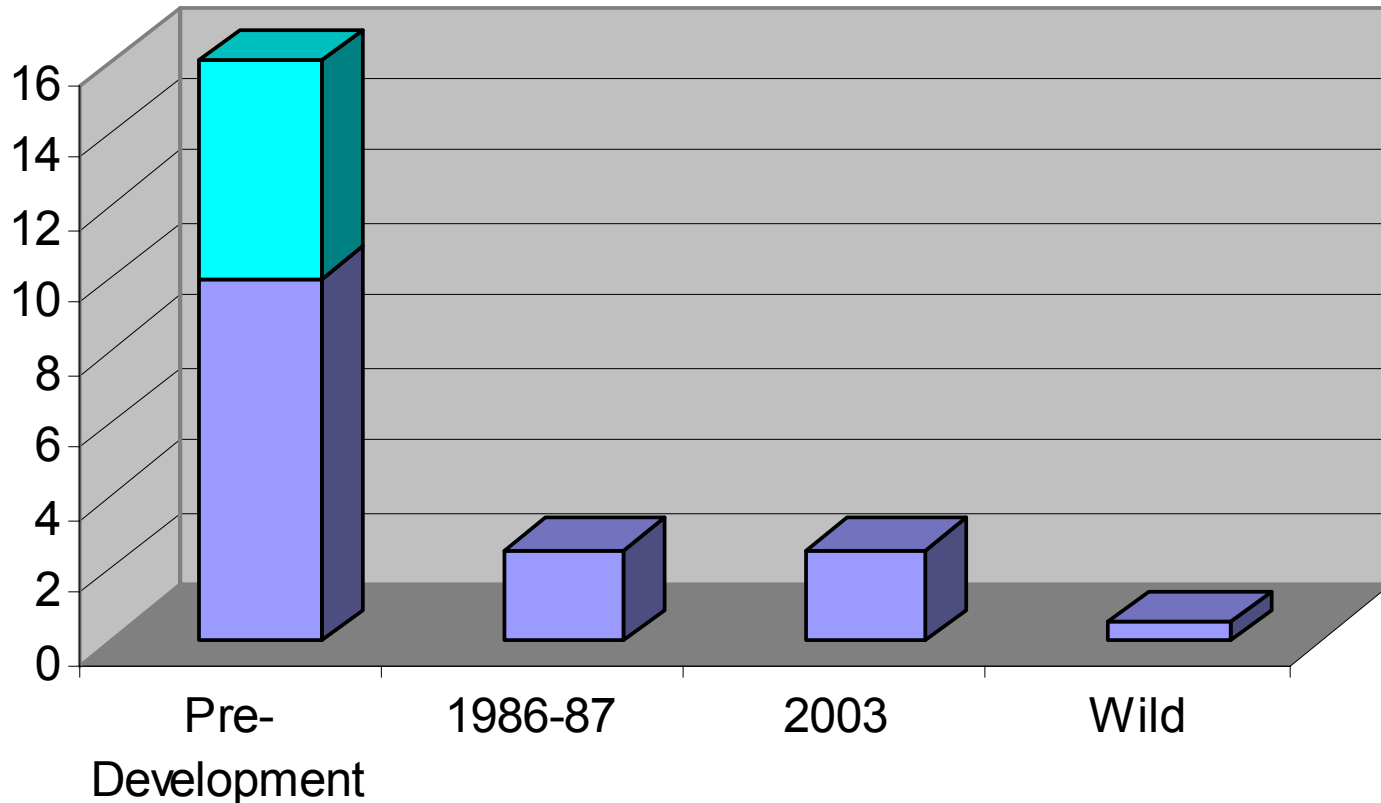


BPA Responsibility

- ◆ Council Program is implemented by four Federal agencies:
 - BPA, Corps, Bureau, FERC
 - » Take the program into account in decision making
 - BPA use its fund consistent with Council Program
 - » BPA is the only agency that can do off-site activities
- ◆ Council Program and FCRPS Biological Opinions rely on off-site mitigation
- ◆ Council Program sets clear goals
 - Five million salmon and steelhead above Bonneville Dam by 2025
 - Replace habitat units lost for wildlife
- ◆ BPA should fund up to Program goals
- ◆ CBFWA estimates do not include costs on Federal land
 - Additional actions would address non-hydro losses

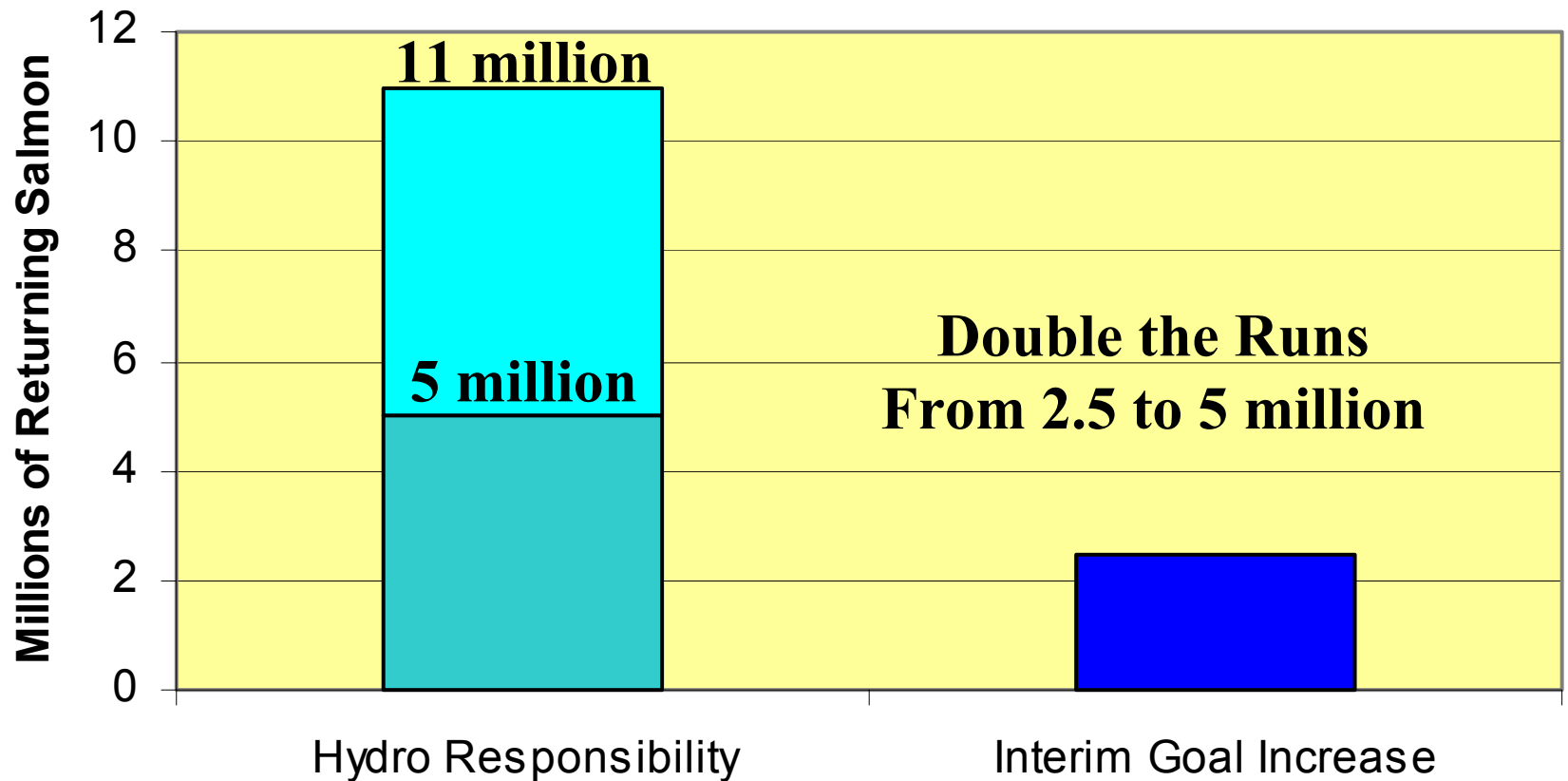
Council Salmon Losses Study

Salmon Returning to Columbia River (millions)



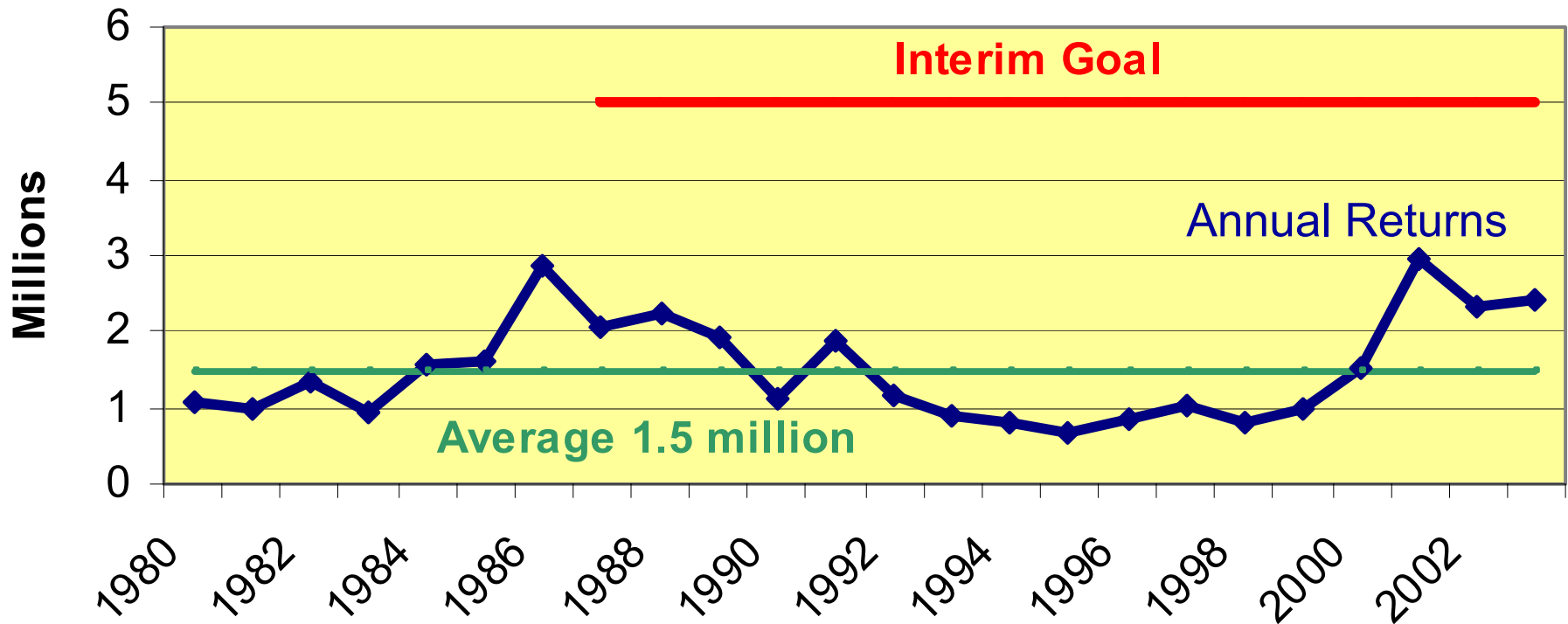
Council Interim Goal: Double the Runs

Hydro Responsibility and Interim Goal



Progress Toward Doubling Goal

Returns vs Interim Goal



Conclusions

- ◆ BPA's proposal is inadequate
 - 84 years to implement habitat is unacceptable
 - Pace never implements hatchery measures
- ◆ BPA is responsible for meeting Council Program goals
 - Funding through FY 2009 is unlikely to exceed the goals
- ◆ Council should comment on the need to fully implement its Program
- ◆ Council should work with fish and wildlife managers on a workplan and budget
 - Get the on-the-ground work done.