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May 3, 2005

MEMORANDUM

TO: Council members

FROM: Patty O'Toole, F&W Program Implementation Manager

SUBJECT: Design of the next project selection process

The purpose of this memo is to continue the discussion with the Fish and Wildlife Committee and Council about the next project selection process. Last month we discussed some very general concepts. This month we would like to have some focused discussion regarding funding allocation and schedule, and other topics if time allows. Staff is not asking for any decisions at this meeting.

1. Allocation: Allocation of Bonneville funding occurs at several different levels. First of all, there is the allocation to the Fish and Wildlife Program. This number will be set in the rate case currently underway and will apply to fiscal years 2007 through 2009. Currently, the program allocation is \$139 million (expense).

Second, we suggest that allocation can occur at the compartment or category level. Compartments are a way of organizing the program into smaller units by grouping similar work. Compartments discussed here are: research, monitoring and evaluation, mainstem work, information management, coordination and administration (IMCA), habitat and production. If we were to look at the current program organized in a similar fashion, the compartments and associated allocation would look like this:

Compartment	Percent of allocation if applied to current organization (based on actual spending, averaged over FY 2001-2004)
Research	8%
Monitoring and Evaluation	23%
IMCA	8%
Mainstem work	5%
Habitat (implementation of SBP)	28%
Production	28%

At the time of preparation of this memo, Bonneville had just released their proposed funding level for the Fish and Wildlife Program. The draft funding allocation for the Program for FY 2007 - 2009 is \$143 million. There is wide regional support for maximizing the funding spent on implementation of subbasin plan and on-the-ground work. Looking at Bonneville's assumptions for the rate case, in order to increase the available funding for habitat, the funding for other "compartments" must be reduced. Funding for research would be reduced to focus on the key priorities identified in the Council's Research Plan (draft), funding for regional monitoring and evaluation would be reduced significantly to fund monitoring priorities as described in the regional monitoring framework to confirm core Fish and Wildlife Program accomplishments and needs identified in the biological opinion. We plan to bring regional monitoring and evaluation parties together to confirm a regional monitoring framework, as is being discussed in several monitoring coordination efforts (PNAMP, CISMEP, Federal monitoring plan development). Mainstem funding would be reduced to core program and biological opinion needs and funding for information management, coordination and administration would be reduced.

Staff anticipates that the Council and Bonneville will maintain the investments made in production in a manner consistent with the last provincial review. Some efficiency may be found in facility operations and maintenance through an operations review. Finally, savings that are found in other compartments can be applied to the habitat or production compartment, maximizing the funding available to implement subbasin plans.

The Fish and Wildlife Program describes an allocation objective of 70% for anadromous fish, 15% for resident fish and 15% for wildlife. This layer of allocation must be laid over the compartment allocation to ensure consistency with the Program. Meeting these objectives will be a challenge if implementation of the wildlife portion of the program remains stymied by the problems we face using capital funding to purchase lands. Bonneville has not increased the expense program to cover the costs of land acquisition for the wildlife program, and Bonneville's capital and crediting policy does not allow for many of the current wildlife proposals to be implemented.

Finally the third level of allocation is the geographical distribution of funds. Geographical allocation occurred by *province* for the last provincial review and is summarized below.

Province or group	Percent allocation from 2001
Blue Mountain	7.3
Columbia Cascade	0.6
Columbia Gorge	3.5
Columbia Plateau	27.3
Intermountain	6.3
Lower Columbia/Est.	4.5
Mainstem/systemwide	27.9
Middle Snake	1.7
Mountain Columbia	4.7
Mountain Snake	15.3
Upper Snake	0.9

This allocation was derived from an assessment of historical spending in the Program. Starting with the Columbia Plateau province, the Council's provincial review process used historic levels of effort in each province, based upon the Council's fiscal year 2001 budget (not including the Columbia Gorge and Intermountain provinces), to allocate funding among the remaining provinces. In determining those provincial allocations, Council staff had removed large one-time expenses (large capital projects or land acquisitions), which would have given a province an artificial increase over its historic allocation. Staff then took the fiscal year 2001 expense start-of-year budget and divided the individual province expense budgets by the total expense budget to obtain the individual province percentages. Additional funding was directed to the lower Columbia River/Estuary allocation to allow for increases for the 200 Biological Opinion and RPAs.

Looking forward, the topic of geographical allocation must be addressed by the Council for the next project selection process. An allocation methodology would allocate effort in the habitat and production compartments of the Program. Options include using the same allocation methodology as was used for the provincial review, using the same methodology with some adjustments, or developing a completely new methodology.

Some considerations we have heard from the region for adjusting the current allocation or developing a new allocation include:

- Increase funding for areas with multiple listed species and/or species that are endangered versus threatened.
- Increase funding to areas that have the most unmitigated losses
- Increase funding to protect the most robust and viable populations to prevent further declines and listings under the Endangered Species Act
- Increase funding to areas impacted by Bonneville capital and crediting policies that have not been able to realize expenditure of allocation in the past

Council may want to discuss these considerations and others as we work on the regional allocation issue for the next project selection process. Others in the basin are developing allocation proposals. The Upper Columbia United Tribes has developed an approach and have discussed it with staff and others during the Power Function Review process.

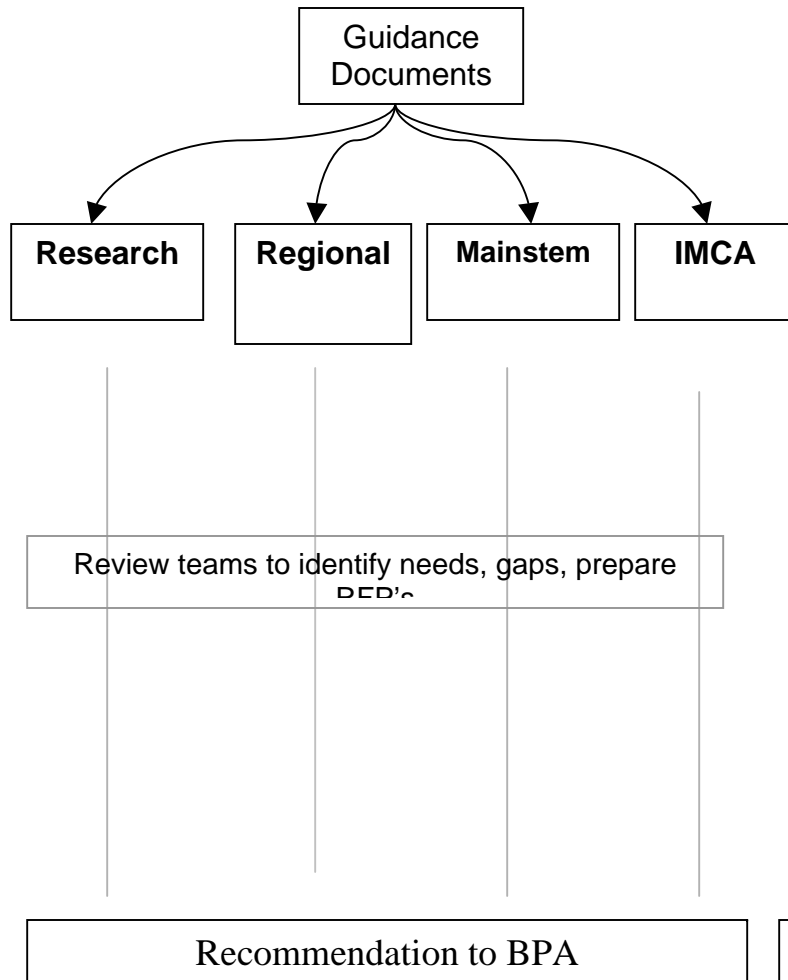
2. Schedule

The schedule for moving forward with the next project selection process depends on some key process elements that are still under development by staff. A general schedule is described below.

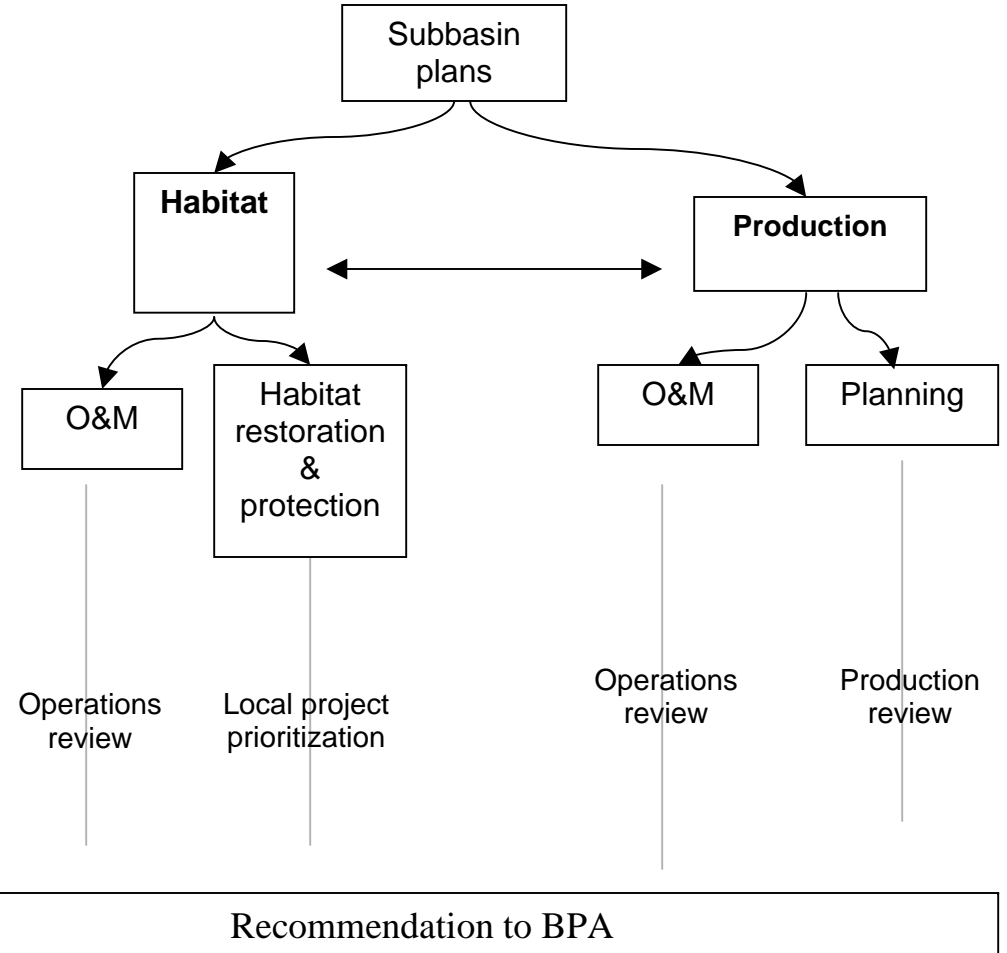
	Systemwide Review	Province Review Habitat/Production
June, 05	Additional process description; discuss compartment allocation	Additional process description; discuss compartment allocation
July	Develop forms, further refine process, provide information to the region	Develop forms, further refine process, provide information to the region
Aug	“ “	“ “
<u>Sept</u>	Establish review teams for compartments. Teams will look at guidance information, the current program, identify gaps/needs.	Establish local groups for habitat review/ Establish production review group. Discuss/decide regional allocation
Oct	“ “	“ “
<u>Nov</u>	Solicit for project (RFP)	Solicit for projects (could be at a strategic level - Implementation Plan or at a project specific level),
Dec	“ “	ISRP review
Jan, 06	ISRP Review	“ “
Feb	“ “	Other review
Mar	Fix it loop (if needed)	
Apr	Other review (NOAA, BPA, others)	Staff recommendation based on regional allocation
May	Staff develop recommendation	“ “
<u>June</u>	Committee Recommendation	Committee recommendation
<u>July</u>	Council Recommendation	Council recommendation
<u>Oct, 06</u>	Implementation	Implementation

F&W Program

Systemwide Review



Province Review



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