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April 27, 2006

MEMORANDUM

TO: Council Members

FROM: Mark Fritsch, Project Implementation Manager

SUBJECT: Quarterly Review on Within-year Project Funding Adjustments for Implementation

PROPOSED ACTION:

At your meeting in May the Council staff will review within-year budget modification requests. These have all been reviewed by the budget oversight group (BOG) for the second quarter of Fiscal Year 2006. The Council staff received Bonneville's analysis of the requests on April 27, 2006. Council staff will provide an overview of all the requests and seek a recommendation from both the Committee and the Council at your February meeting.

SIGNIFICANCE:

Council staff recommends that the following within-year requests as defined in the letter received from Bonneville on April 27, 2006 be approved for a total of \$119,908 in expense and \$6,100,000 in capital funding in Fiscal Year 2006. This recommendation should be conditioned on Bonneville's verification that adequate capital funds remain in the FY 2006 budget to meet the Council's other pending recommendations that will be implemented this year.

BACKGROUND:

Bonneville, the Council and the Columbia Basin Fish and Wildlife Authority have formed a Budget Oversight Group (BOG) to conduct a budget tracking process. A principle role of the BOG was to validate whether the requests were a reschedule or within year request (i.e., Scope Change, Budget Change, Scope/Budget Change, Reschedule, and New Request) and to place the within-year requests into one or more of the sorting categories. Reschedules are forwarded to Bonneville for assessment and funding as funds become available and within-year were also forwarded to Bonneville for recommendation on the availability of funds as identified at the quarterly reviews.

On April 12, 2006 the Council staff reviewed the Budget Oversight Group (BOG) process and the anticipated schedule and timeframe associated with the modification requests for the second quarter of Fiscal Year 2006 with the Fish and Wildlife Committee. It was resolved by the Committee that the staff would develop a recommendation for both the Committee and the Council at the May meeting. The compressed presentation for the May meetings is to be responsive to the approaching field season.

The comment period regarding these within-year budget adjustments associated with the Quarterly Review will close on April 28, 2006. To date one comment has been received regarding Project # 1995-013-00, Resident Fish Substitution Program, and one comment on Project #1991-019-03, Conservation of Threatened Critical Bull Trout Habitat in Swan Valley.

As anticipated, after the close of the comment period, Bonneville submitted a final list of the recommended within-year requests for a Council recommendation at the May meeting. On April 27, 2006 the Council received a letter from Bonneville regarding the funding within-year requests considered during the second quarterly review (see Attachment 1).

ANALYSIS:

The letter received from Bonneville on April 27, 2006 provided a thorough review of the individual requests and seems to have reflected in their analysis past recommendations (see Attachment 2) and the relationship to the Fiscal Year 2007 - 2009 project solicitation process. Neither Council staff nor the BOG have sought to verify or confirm the analyses provided in the Bonneville letters.

The 7 within-year project requests have been placed into the following categories:

Category #2: ESA Obligation

- Project #1997-024-00, Avian Predation on Juvenile Salmonids in the Lower Columbia River, \$10,375.

Category #3a: Threats to Project Integrity - (a) that jeopardize the performance of the entire project

- Project #1995-009-00, Lake Roosevelt Net Pen Project, \$29,000.

Category #3b3: Threats to Project Integrity - (b) Jeopardize the performance of a discrete task or objective of the project causing - (3) the loss of capability to administer the project

- Project #1995-013-00, Resident Fish Substitution Program, \$20,355¹.
- Project #1991-019-04, Hungry Horse Mitigation-Stocking of Offsite Waters, Creston NFH, \$11,692.
- Project #1992-009-00, Yakima Basin Phase II/Huntsville Screen O&M, \$48,486.

¹ The original request estimate of \$15,700 did not include an indirect cost (29.65%) of \$4,655 that would bring the request total to \$20,355.

Category #4: Lost Opportunity

- Project #1991-019-03, Conservation of Threatened Critical Bull Trout Habitat in Swan Valley, \$6,100,00.

Category #5: Other

- Project #1994-059-00, Yakima Basin Environmental Education Program, \$4,600.

Council staff supports the BOG categorizations, and believes that the analyses presented by Bonneville justifies the proposed modifications.

The one comment received regarding Project # 1995-013-00, Resident Fish Substitution Program has been addressed by Bonneville to reflect the indirect costs associated with the request. In addition, Bonneville seeks to not approve the request for Project #1994-059-00, *Yakima Basin Environmental Education Program* for \$4,600. Council staff concurs with this direction, as it is a contracting issue.

The \$6,100,00 capital request received from Montana Fish, Wildlife & Parks (MFWP) for Project #1991-019-03, *Hungry Horse Mitigation Program*, is addressing land acquisition intended to protect critical bull trout habitat in Swan Valley, Montana. This large capital investment and is a component of a larger effort that has extensive cost shares with multiple partners. Due to the inherent importance and the support² for these acquisitions, a favorable action is warranted so the opportunity is no lost. This favorable recommendation is conditioned on Bonneville verifying that there is adequate Fiscal Year 2006 capital funds available for this action.

Council staff recommends that the following within-year requests as defined in the letter received from Bonneville on April 27, 2006 be approved for a total of \$119,908 in expense and \$6,100,000 in capital funding in Fiscal Year 2006. This recommendation should be conditioned on Bonneville's verification that adequate capital funds remain in the FY 2006 budget to meet the Council's other pending recommendations that will be implemented this year.

² On April 27, 2006 Council received a support letter from the Flathead National Forest.

Attachment 1: Letter received on April 27, 2006 from Bonneville regarding within-year budget adjustments associated with the Quarterly Review.



Department of Energy

Official File

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

ENVIRONMENT, FISH AND WIL

April 27, 2006

In reply refer to: KEW-4

Mr. Doug Marker
Fish and Wildlife Division Director
Northwest Power and Conservation Council
851 SW Sixth Avenue, Suite 1100
Portland, OR 97204-1348

Dear Mr. Marker:

In accordance with the Budget Oversight Group (BOG) process, the BOG recently conducted the Fiscal Year 2006 second quarterly review of within-year budget and/or scope modification requests. As a result of that review and subsequent further analysis by BPA staff, the following budget modification requests are submitted to the Council for evaluation and funding recommendations. BPA will consider the Council's recommendations and assess the status of contract commitments, billings to date, and end-of-year accrual projections before making final decisions to adjust individual project budgets.

While BPA believes sufficient funds are available to allow these requests to move forward, our focus has been on the technical merit and priority of the work under consideration and its contribution to achieving the objectives of the project and sustaining the value of previous investments.

In accordance with the BOG process, the BOG has nearly completed the 30-day public comment period on these requests. BPA will consider any public comments received by April 28, 2006 before finalizing our decisions. BPA has included all requests, including those BPA suggests declining.

The BOG process incorporates the following criteria to categorize the project requests:

Category

Emergency

1

Acts of God or the unforeseen loss of mechanical infrastructure that necessitates an extraordinary action to avoid the imminent loss of fish or wildlife resources; imminent threat to human health or safety.

ESA Commitment of BPA

2

A new or ongoing project that directly implements actions committed to in the November 24, 2004 Updated Proposed Action and were evaluated in a revised BiOp on the FCRPS issued by NOAA Fisheries on November 30, 2004 pursuant to section 7 of the ESA. Except in extraordinary circumstances, such new actions require review by the Independent Scientific Review Panel and Council recommendation prior to BPA approval.

Project Integrity

3

Actions necessary for the project, though not of an emergency nature, and including major project review (i.e., step review), to avoid the loss of a previous investment; that, if not taken, would:

- a. Jeopardize the performance of the entire project;
- b. Jeopardize the performance of a discrete task or objective of the project causing:
 - 1. adverse biological consequences to the project;
 - 2. loss of critical monitoring and evaluation data;
 - 3. loss of capability to administer the project.

Lost Opportunity

4

New or ongoing projects that respond to a limited opportunity to benefit the fish and wildlife resource and that opportunity will be permanently lost if the project or work element is not implemented.

Other

5

Any project not falling into the four categories defined above.

Projects on the current CBFWA website requesting within-year budget adjustments were placed into the above categories by the BOG members. That process is reflected in the following list of projects. For additional project-specific information, please review the Columbia Basin Fish and Wildlife Authority (CBFWA) web site for Within-Year Budget Adjustments (<http://www.cbfwa.org/mods/components/forms/Login.cfm>).

Project Funding Requests – BPA Recommended

Category 2

Project No. 1997-024-00

Project Name: Avian Predation on Juvenile Salmonids in the Lower Columbia River

Budget Amount: \$10,375

Funding Category: Expense

Contractor: Oregon State University

Avian predation in the Columbia River estuary has been identified as a limiting factor in juvenile survival for ESA-listed and non-listed salmonid species. The data that are collected through this project provide critical information in the development and implementation of management techniques to reduce avian predation levels, such as the implementation of the Caspian Tern management plan in the estuary as identified in the 2004 UPA for the FCRPS BiOp. The State of Oregon and Agency indirect costs have increased, which reduce the contractor's ability to complete analysis of the aerial photographs taken of the piscivorous waterbird colonies in the estuary and the Mid-Columbia. The aerial photographs taken during the waterbird breeding season produces the most accurate estimates of colony size, which is crucial information for developing accurate salmonid predation estimates to implement the Caspian Tern management plan in 2007.

Category 3a

[Project No. 1995-009-00](#)

Project Name: Lake Roosevelt Net Pen Project

Budget Amount: \$29,000

Funding Category: Expense

Contractor: Lake Roosevelt Development Association

This request for funds to purchase a replacement truck is a non-recurring expense. The current vehicle mileage is over 116,000 miles. At this point, the vehicle's reliability has diminished, and the frequency and cost of repairs is increasing. Among other duties, the vehicle is needed to deliver fish food to net pens. Failure to reliably deliver food put the fish in the net pens at risk. Additionally, the vehicle's condition makes it a human safety issue. The project sponsor has investigated alternatives to purchasing a replacement vehicle. Vehicle lease was investigated but was rejected because of the additional costs associated with the mileage in excess of the base allowance.

Category 3b3

[Project No. 1995-013-00](#)

Project Name: Resident Fish Substitution Program

Budget Amount: \$20,355

Funding Category: Expense

Contractor: Nez Perce Tribe

One of the project's most critical tasks, the stocking of three ponds with high-quality, hatchery-reared rainbow trout, will not be possible without the requested budget increase. The Nez Perce Tribal population relies on this fishery harvest opportunity, which partially mitigates the loss of resident and anadromous fish populations caused by the construction and operation of Dworshak Dam. The stocking of these ponds provides an average of 207 days of fishing per year for approximately 1,500 individuals.

Due to several cost increases, such as indirect cost increases, the project's budget no longer fully covers basic operation costs. Additionally, increased costs for essential equipment maintenance, fuel and personnel costs have contributed to the need for this within-year budget adjustment.

Project No. 1991-019-04

Project Name: Hungry Horse Mitigation–Stocking of Offsite Waters, Creston NFH

Budget Amount: \$11,692

Funding Category: Expense

Contractor: USFWS

The current project funding level enables production of 90,000 westslope cutthroat and 50,000 rainbow trout. This within-year budget modification will fully enable the Creston NFH to produce 100,000 westslope cutthroat and 100,000 rainbow trout as recommended in the Council-adopted Hungry Horse Dam Fisheries Implementation Plan and in the Council-recommended project objectives from the Mountain Columbia Province Solicitation and Review in 2003.

The current reduced annual stocking rate increases the time required to meet the implementation plan's fishery objectives. It also will weaken program objectives by reducing angler harvest and license income, which supports species conservation in the Flathead drainage. Reduced stocking of these species negatively affects the goals of the Flathead Subbasin Management Plan, and Tribal Subsistence and Angler Harvest objectives that call for the following:

1. Maintaining or increasing harvestable sport fish while protecting the long-term persistence of native species populations and;
2. Where native species cannot be restored, maximize harvest by introducing fish species that will not threaten the recovery of bull trout and westslope cutthroat trout.

The Creston NFH cost increases are twofold:

- First is an increase of approximately 42% since 2001 in Flathead Electric Cooperative's electrical rates. This rate increase was identified and documented, but not addressed with increases in budget, during the Mountain Columbia Provincial Solicitation and Review process.
- Second, a new water treatment system capable of disinfecting and aerating rearing water that protects fish from potential pathogens was completed in 2004 also increases electricity use.

Project No. 1992-009-00

Project Name: Yakima Basin Phase II/Huntsville Screen O&M

Budget Amount: \$48,486

Funding Category: Expense

Contractor: Washington Department of Fish and Wildlife

The Yakima basin Phase II O&M Program is jointly conducted by the Washington Department of Fish and Wildlife (WDFW) and the Bureau of Reclamation (BOR). This program is guided by an MOU among BPA, BOR, and WDFW. The MOU states, "All tasks and responsibilities assigned under the Agreement shall be performed at Bonneville's expense..." The WDFW has been assigned the task of contractor/irrigator reimbursements for electricity, and time and labor (daily O&M cleaning trash racks). This required the WDFW to negotiate contracts with several parties. The difficulty with and sensitivity of the issues surrounding three of these contracts resulted in negotiations taking a period of five years to complete. The contracts require

retroactive reimbursement for electrical cost, time and labor. The WDFW is requesting this within-year budget request to cover these contractual obligations.

Category 4

Project No. 1991-019-03

Project Name: Conservation of Threatened Critical Bull Trout Habitat in Swan Valley

Budget Amount: \$6,100,000

Funding Category: Capital

Contractor: Montana Fish, Wildlife & Parks

BPA recommendation: BPA is generally supportive of this proposal, but we strongly encourage a thorough discussion of the proposal by the Council to further inform BPA's final decision. Also, we are also completing a detailed analysis of FY 2006 capital spending to ensure that there are available funds to support this proposal. (capital expenditures to date are approximately \$9,828,862, and the anticipated expenditures through the remainder of FY06 suggest that capital spending could approach the available \$36 million).

Easement Description

Purchase 1,121-acre or remaining portion (15.56%) of Montana Fish, Wildlife &, Park's (MTFWPM) 7,204-acre perpetual conservation easement located on Plum Creek Timber Company land in headwaters of Goat and Squeezer creeks for \$1,100,000 (cost share). Resident fish credit will be 2.08 km of riparian habitat against losses caused by Hungry Horse Dam.

Purchase Description

Funds are being requested for the purchase of approximately 640 acres of Plum Creek Timber Company property for approximately \$5,000,000. The land includes 5.5 km of stream habitat and 275 acres of associated wetland habitat. BPA would provide the Swan Ecosystem Center (SEC) with funding to acquire the property. In return, SEC will convey a conservation easement to BPA and provide the associated management plan that protects fisheries and riparian habitats in perpetuity. Resident fish credit will be 4.18 km of credit towards Hungry Horse mitigation.

This project seeks BPA capital funding to protect critical resident fisheries habitat through acquisition of a permanent conservation easement in the Swan Valley. About half of the Swan Valley's bull trout population spawn in Elk/Squeezer/Goat creeks. The opportunity to protect lands targeted by this funding request will likely be lost if this effort is not accomplished in FY 2006. Efforts to maintain strong bull trout population in Swan Valley would be undermined by unregulated residential and recreational home development along these 3 (of only 4 known) core bull trout spawning and rearing streams. BPA's timely participation in these high-priority projects would ensure conservation of the most vulnerable habitats and enable Plum Creek and its conservation partners to conserve additional private land along these tributaries. The potential use of BPA capital funding for this purchase is made possible by the recent MOA signed by BPA and the Salish-Kootenai Tribe and State of Montana, where resident fish credits are quantified. SEC will be responsible for long-term management of the land in section 35 consistent within the terms of the BPA-held conservation easement and management plan. Council recommendation of this purchase in May will enable this effort to move forward before the end of FY 2006.

The sponsor has demonstrated diverse cost share: Conservation Easement appraisal review, legals, environmental assessment, closing costs (MTFWP); Conservation Easement and fee-title appraisals, legals, closing costs (Plum Creek Timber Company); Management Plan, appraisal review, legal and environmental review (Swan Ecosystem Center); Coordination, legals, closing costs (Trust for Public Land). Since the original submission, the request has been decreased by an additional \$357,248 for the land purchase, which has been secured from Trust for Public Land. Aggregate direct cost share is now \$397,248. In addition, financial participation by BPA will help the Trust for Public Land meet their option agreements and continue additional habitat conservation in the Swan Valley.

Credit against approved losses at Hungry Horse Dam of 6.26 km at a credit ratio of 1:1 for this easement, and purchase is very favorable.

No long-term O&M is required under BPA funding. BPA will review and approve management plans for both properties. BPA will have conservation easement on the Elk Creek property, and a third-party right of enforcement on the entire 7,200 acre conservation easement associated with the Squeezer and Goat Creek parcels.

This purchase and easement are some of the best property for bull trout in the Swan Valley. The project will also provide protection for other Threatened and Endangered species (grizzly bear and water howellia, a native plant). Should the acquisition of the Plum Creek property fall through under the current purchase option, there is another offer on the property that would likely lead to incompatible residential development; the risk of development is great.

BPA funding of this project would complement ongoing conservation efforts of multiple partners in the Swan Valley. Since 1997, other federal programs have contributed over \$40 million to conserve over 13,000 acres of important fish and wildlife habitat in the valley. An additional \$8.3 million has been appropriated by Congress. Conservation organizations and foundations have funded over \$3 million worth of conservation and private landowners have voluntarily conserved approximately 4,500 acres of land.

This purchase and this easement are specifically described in the recently signed MOA, which expires Sept. 30, 2006.

No subsequent MOA that would allow this purchase after Sept. 30, 2006, has been negotiated. Purchases in FY 2007 are contingent on a favorable funding recommendation for the next rate period. The final Council recommendation for FY 2007 will not occur until mid-October 2006, further delaying these actions and putting the land at increased risk of purchase for residential development.

BPA's capital budget has is a yearly fixed maximum of \$36 million, unlike the yearly expense budgets, which are capped for a multi-year rate period and allow year-to-year spending adjustments. Purchasing the land fiscal year in FY 2006 would be preferable because current and pending wildlife and resident fish capital land purchase negotiations are likely to increase pressure on FY06 and FY07 capital funds. Land prices in the Swan Valley are also appreciating at 12–15% per year, increasing the cost per unit of credit to BPA for such projects.

Project Funding Requests – BPA Declined

Category 5

Project Number: 1994-059-00

Project Name: Yakima Basin Environmental Education Program

Budget Amount: \$4,600

Funding Category: Expense

Contractor: Eco-Northwest

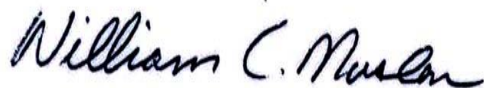
The request is for funds to pay for substitute teachers, who replaced teachers receiving environmental education training. Expenditures occurred during the previous school year (FY 2004 contract period) but were not billed to the project until the FY 2005 contract period. The cost for paying the substitute teachers was not accounted for in the FY 2004 contract budget review, and as a result, all FY 2004 funds were spent on other items. BPA's position is that the contractor is responsible for real-time tracking of all expenditures and to maintain spending within the allocated contract budget. Spending all of a contract's budget without keeping track of outstanding commitments becomes the responsibility of contractor. Project sponsors are encouraged to keep a close track of their project expenditures and to use the within-year process in a timely manner if potential cost overruns are possible. Therefore, BPA recommends a decline of this request.

Summary

In summary, the total expense funding requested in this letter is \$119,908; the total of capital funding requested is \$6,100,000. We believe these projects are consistent with priorities identified during the Council's previous provincial solicitations and reviews and/or other Council recommendations and BPA decisions. However, as you review the merits of these requests, we ask that you consider how these may be consistent with your review and consideration of the new subbasin plans and broader programmatic priorities reflected in your FY 2007–2009 Provincial Solicitation review and subsequent project funding recommendations.

Please feel free to contact either Greg Dondlinger at 503/230-5065 or me at 503/230-5499 for further information or if you have any questions.

Sincerely,



William C. Maslen
Director of Fish and Wildlife

cc:

Mr. Mark Fritsch, Northwest Power and Conservation Council
Ms. Patty O'Toole, Northwest Power and Conservation Council
Mr. Karl Weist, Northwest Power and Conservation Council
Mr. Tony Grover, Northwest Power and Conservation Council
Ms. Stacy Horton, Northwest Power and Conservation Council
Ms. Joann Hunt, Northwest Power and Conservation Council
Mr. Kerry Berg, Northwest Power and Conservation Council
Mr. Brian Lipscomb, Columbia Basin Fish and Wildlife Authority
Mr. Tom Iverson, Columbia Basin Fish and Wildlife Authority
Ms. Amy Langston, Columbia Basin Fish and Wildlife Authority
Ms. Michael Coffey, BPA
Mr. Joe De Herrera, BPA
Mr. David Kaplowe, BPA
Ms. Dorothy Welch, BPA
Mr. Jonathan McCloud, BPA
Mr. Peter Lofy, BPA
Ms. Jan Brady, BPA
Mr. Greg Baesler, BPA
Mr. Mark Shaw, BPA
Mr. Greg Dondlinger, BPA
Mr. Steve Cramer, BPA

Request Date	Project ID	Project Title	Sponsor	Mod Type	Requester	BOG Meeting Date	Current Status	Budget Impact	Capital/ Expense
2/21/06	199101903	Urgent: Conservation of Threatened Critical Bull Trout Habitat in Swan Valley	Montana Fish, Wildlife & Parks	FY 2006 Within-Year Ongoing	Brian Marotz	3/8/2006	Under BPA Review	\$6,100,000	Capital
3/1/06	199501300	Resident Fish Substitution Program	Nez Perce Tribe	FY 2006 Within-Year Ongoing	Tod Sween	3/8/2006	Under BPA Review	\$20,355	Expense
3/1/06	199702400	Avian Predation on Juvenile Salmonids in the Lower Columbia River	OSU	FY 2006 Within-Year Ongoing	Dorothy Welch	3/8/2006	Under BPA Review	\$10,375	Expense
2/1/06	199101904	Hungry Horse Mitigation - Stocking of Offsite Waters - Creston NFH	USFWS - Creston National Fish Hatchery	FY 2006 Within-Year Ongoing	Mark Maskill	2/15/2006	Under BPA Review	\$11,692	Expense
2/7/06	199200900	Yakima Basin PhaseII/Huntsville Screen O&M	Washington State Department of Fish and Wildlife	FY 2006 Within-Year Ongoing	Pat Schille	2/15/2006	Under BPA Review	\$48,486	Expense
1/9/2006	199405900	Yakima Basin Environmental Education Program	Eco-Northwest	FY 2006 Within-Year Ongoing	Peter Lofy	1/11/2006	Under BPA Review	\$4,600	Expense
12/30/2005	1995-009-00	Lake Roosevelt Net Pen Project	LRDA	FY 2006 Within-Year Ongoing	Gene Smith	1/11/2006	Under BPA Review	\$29,000	Expense

Attachment 2: Second quarter within-year project funding adjustments sorted by BOG category and Fiscal Year 2006 funding recommendation.

Category	Project #	Project Title	Sponsor	FY 2006 Budget	Request
2					
	1997-024-00	Avian Predation on Juvenile Salmonids in the Lower Columbia River	OSU	\$470,000	\$10,375
3a					
	1995-009-00	Lake Roosevelt Net Pen Project	Lake Roosevelt Development	\$114,889	\$29,000
3b3					
	1995-013-00	Resident Fish Substitution Program	NPT	\$183,561	\$20,355
	1991-019-04	Hungry Horse Mitigation-Stocking of Offsite Waters, Creston NFH	USFWS	\$113,168	\$11,692
	1992-009-00	Yakima Basin Phase II/Huntsville Screen O&M	WDFW	\$139,590	\$48,486
4					
	1991-019-03	Conservation of Threatened Critical Bull Trout Habitat in Swan Valley	MTFWP	\$1,715,000	\$6,100,000 (Capital)
5					
	1994-059-00	Yakima Basin Environmental Education Program	Eco-Northwest	\$135,000	\$4,600