Northwest Power and Conservation Council

June 1, 2006

MEMORANDUM

TO: Fish and Wildlife Committee

FROM: Patty O'Toole, Program Implementation Manager

SUBJECT: Discussion of the FY 2007-2009 project selection process

At the June Fish and Wildlife Committee meeting staff will continue it's monthly discussion with the Committee regarding the FY 2007-2009 Project Selection Process.

Continued discussion of programmatic issues from May:

Issue 6: Funding the Operating and Maintenance Costs of a Maturing Program
In May, the F&W committee expressed support for the three-step approach to O&M discussed in issue number 6 in the rolling issue memo. The primary concern continues to timing. The Council, Bonneville, CBFWA staff and fish and wildlife managers that would be required to perform the work described above will be involved in the project selection process through October of 2006.

Staff recommendation:
The staff recommends the three-step approach described in the issue memo.
These are:

Step 1: Develop a common definition for what activities within the program are considered "operations and maintenance."
Step 2: Identify O&M activities that the program should support and benchmarking costs of those actions.
Step 3: Explore more creative funding vehicles or approaches for delivering the actual long-term O&M funds.

The staff recommends that work on this effort should begin upon the completion of the project selection process in October of 2006. Staff seeks a committee endorsement of the staff recommendation and sending a Committee recommendation on this issue to Council in July.

851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204-1348
www.nwcouncil.org

Steve Crow
Executive Director

503-222-5161
800-452-5161
Fax: 503-820-2370

New topic for discussion:

Issue 8: FY 2007 - 2009 Fish and Wildlife Program Budget Tracking and Adjustment Process

Late in fiscal year (FY) 2004 Bonneville, the Council and the Columbia Basin Fish and Wildlife Authority formed a Budget Oversight Group (BOG) to conduct a budget-tracking process. It was anticipated that this process would be used to track project budgets, adjustments and scope modification requests throughout the fiscal year. The goal was an open and transparent process. The BOG has met monthly since September 2004 on the Wednesday prior to regularly scheduled Council meetings.

As part of its Fiscal Year 2007-2009 project recommendation decisions, the staff would like the Committee and Council to confirm that the current process will continue to be used in generally the same way. However, the staff is proposing a few changes that would require Council support. We will call out those changes specifically as we describe the within-year process below.

Role of the BOG

In the course of implementing fish and wildlife projects, sponsors sometimes propose adjustments of one form or another. A principal role of the BOG has been to review these adjustment requests, and to determine it they are to a "reschedule" (i.e., rescheduling the same approved work and budget from one fiscal year to another) or a "within-year modification" (i.e., modification of scope and/or budget and/or new request during FY). For the latter category, the BOG has also established several categories of within-year modifications, and when it reviews them, it sorts them into these various categories. Reschedule requests are forwarded to Bonneville for assessment and funding as funds become available. Within-year requests are also forwarded to Bonneville, but they are stockpiled and addressed at the fiscal year quarterly review meetings where they are prioritized to establish which budget adjustment requests cam be accommodated within the available funding in the Spending Reserve. This year, at the request of CBFWA, the process included a 30-day public comment period.

The currently used process also employs a managerial level " BOG policy group." (Council/Bonneville/CBFWA). This group is called upon to help resolve decisions about how to categorize or treat budget adjustment requests that do not fit within the standard categories used by the BOG group. The group also is called upon to provide guidance to the BOG where there are emergency type and time sensitive requests that can't be dealt with in the common process schedule.

This within-year process was confirmed by the Council in association with its Fiscal Year 2006 funding recommendations in August 22, 2005.

The BOG is currently considering some adjustments to the process -- Committee input would be helpful

The Council, Bonneville and CBFWA staffs feel that most aspects of this process are working well. Transparency in handling the requests is improved. However, all involved believe that some adjustments to the current process would be an improvement. The BOG will be meeting on June 5th and will be discussing revisions to the existing process. The BOG participants will be considering the following topics. Therefore, any guidance that the Committee can provide could be taken into account as staff, along with Bonneville and CBFWA fine-tune the within-year process.

- Confirm the role of the BOG members and detail their role and responsibilities within their respective agencies (i.e. should the BOG flag policy issues? Should the BOG make recommendations in addition to categorizing requests?).
- Define the process and criteria used to resolve matters outside the capacity of the standard BOG process.
- Discuss a monetary threshold for contract management. To ensure efficient and timely project and budget management, and effective use of staff and Council agenda time, the BOG members will be discussing a proposal that staff have limited flexibility--up to a certain "threshold"-- to approve/deny sponsor requests for Within-Year budget adjustments. The notion is that there should be some relatively low monetary threshold that Bonneville may manage within that does not require the full public comment and Council approval process. A full discussion of even those low-threshold projects would still take place at the BOG.
- Confirm decision points in association to the quarterly reviews (e.g., for the 1st, 2nd and 3rd quarter or the just the 1st and 2nd?). This needs to be link more clearly to the public comment period and decision points.

Preliminary Staff Recommendation (June 9, 2006): Staff recommends that the Committee: 1) acknowledge its general support for continuation of the within-year process, while recognizing that the BOG group is working on a few adjustments to that process; 2) provide comments to the staff on the bullet points above so that Council staff can incorporate any suggestions into the ongoing discussions of the BOG regarding process refinements; 3) that the Committee particularly focus on the proposed refinement that a monetary threshold be established that would allow some requests to be managed by Bonneville without the need for full public and Council involvement; and 4) direct staff to return to the Committee with a written description of how the within-year process approved by the Council in its FY 2006 funding recommendations is proposed to be adjusted and/or clarified.

Northwest Power and Conservation Council

June 1, 2006

MEMORANDUM

TO: Council Members

FROM: Staff

SUBJECT: Fiscal Year 2007 through 2009 Fish and Wildlife Project Review and Recommendations -- **"Rolling Issue Memo" Version 5**

Background

The Northwest Power Act directs the Council to make recommendations to Bonneville for funding fish and wildlife projects. The Council has approved a project review and selection process that will yield funding recommendations for project funding for Fiscal Years 2007 through 2009 in October this year.

As the Council leads the region through this process, numerous issues will develop that require public notice, consideration, and resolution. This document is the first iteration of the "rolling issue memo" that will be used to identify and provide public notice of issues that bear upon the Council's funding recommendations. The memo is "rolling" because as the project selection process moves forward over time, the both the resolution currently identified issues will be "rolled" into and preserved in the document, and newly emerging issues will be "rolled" into the document and positioned for resolution. At the end of the project selection process, this rolling issue memo will become the Council's decision document that it will forward to Bonneville, including its project funding recommendations along with a record of the related issues considered throughout the process and their disposition.

All who are interested in the Council's project funding recommendation process need to appreciate the critical role that this rolling issue memo will play. This document is the vehicle to provide notice of the issues that the Council staff believes influence the Council's final project funding recommendations. Likewise, this document will include the Council staff proposals for Council treatment or resolution of those issues. When those participating or having an interest in this process share a perspective or opinion on the issues in the memo, those need to be communicated to Council staff through the Fish and Wildlife Division Director, Doug Marker so that they can be included in the memo for Council consideration and public notice.

851 S.W. Sixth Avenue, Suite 1100
Portland, Oregon 97204-1348
www.nwcouncil.org

Steve Crow
Executive Director

503-222-5161
800-452-5161
Fax: 503-820-2370

While this rolling memo will play a critical role in issue identification, development, and resolution, it must be made clear that there is a limit to the subject matter that can be developed in this way. The Council will not establish or amend significant fish and wildlife policy in this process -- those significant policy issues, that are at or close to the core of the adopted Fish and Wildlife Program -- must be addressed in a formal Fish and Wildlife Program amendment process. For example, later in this document the distribution of the Bonneville fund among anadromous fish, wildlife, and resident fish (the "70/15/15" rule) is explained for context to help interested parties understand the province funding targets approved by the Council. It is possible that an interested party may believe that a different distribution policy would be favorable, or that this one be completely eliminated. However, because this "70/15/15" distribution policy is specifically called for in the adopted Fish and Wildlife Program, and could not be altered or eliminated by the Council in this project selection process. The most the Council could do is to explore alternative ways to achieve the "70/15/15" policy. Again, this is only an example.

In summary, this rolling memo plays a key role in focusing the Council and interested parties on important issues and Council decisions relating to project funding recommendations for Fiscal Years 2007 through 2009. Suggestions to add to the suite of issues presented herein, and comment on issues presented need to be routed through the Council staff so that they can be included in the next iteration of the issue memo. As issues become ripe for Council resolution over the next several months, the staff will make recommendations to the Council and it will make decisions. This will help keep the number of decisions made at the end of the process more manageable and focused on the actual project funding recommendations.

I. Schedule

On October 21, 2005, the Council and Bonneville issued a solicitation for project proposals to implement the Columbia Basin Fish and Wildlife Program. Proposals were submitted through January 10, 2006. The proposals are being reviewed by the Council's Independent Scientific Review Panel (ISRP report due no later than June 16th) and prioritized by provincial work groups and a basinwide work group convened by Council staff. The Council will consider the ISRP report and the recommendations received by the local groups. Some proposals will be asked to respond to issues raised by the ISRP and the report for this second review will be provided to the Council by August 31st. The Council will make funding recommendations at its October meeting.

II. Programmatic Issues

*A "**programmatic issue**" transcends a single project or proposal -- it bears upon how the Council understands and implements its project review and recommendation process and/or it colors its funding recommendations broadly for all projects or a significant set of projects.*

1. Bonneville's funding commitment during the 2007-2009 rate period; Council allocation targets and principles.

Last fall Bonneville and the Council agreed that it would use an annual average planning budget of $153 million for Fiscal Years 2007 through 2009. In addition to that "expense" funding, Bonneville will also make available $36 million in funds borrowed from the U.S. Treasury. This

latter amount often referred to as "capital" funding, is subject to particular rules and standards prescribed by Bonneville in its "Capital Funding Policy for Fish and Wildlife Projects".

In order to ensure the ability for all areas of the Columbia Basin to participate, planning target allocations have been established for each Province. Similarly, for research, monitoring and evaluation, and coordination activities that are not linked to a particular province, a "basinwide" planning target was established. The allocations for each Province were based on historical Council recommendations and start from the average of the Council recommendations for Fiscal Years 2004 through 2006. That is, the Council surveyed how it, along with Bonneville, fish and wildlife managers, and others have traditionally committed funding under the Program. These patterns are the legacy of management emphasis and legal and policy considerations, and are not to be considered perfect or those that will be used in future years.

The Council's 2000 Program carries forward the goal of ensuring that Bonneville funds are committed to all three of these Program areas. The Council made adjustments to the historical recommendations based allocation to reflect the 70/15/15 distribution. The Council notes that while in recent years the resident fish distribution has come close to 15% of the program, it appears that it is the wildlife component that has lagged behind. Therefore, where both resident fish and wildlife projects occur, the Council's intent is to have both of these program areas approach their 15% allocation goal.

Bonneville articulated a goal in its Power Function Review of committing at least 70% of its annual fish and wildlife funding to "on the ground work", and no more than 25% to research and monitoring and evaluation activities, and 5% to coordination actions. The Council considered these goals but decided **not** to use these targets to allocate funding for Fiscal Years 2007 through 2009. Nonetheless, the Council and Bonneville will work together in this project selection process, and into the future, to focus resources on activities that provide direct benefits to fish and wildlife while maintaining an efficient accountability framework of monitoring and evaluation, research directed at key priorities, and to streamline necessary coordination.

Preliminary Staff Recommendations (February 21, 2006): Most of this issue and description is provided primarily as background, and no near-term Council action is required. The staff notes that it would be helpful if Bonneville can work as quickly as possible to review the proposals that were submitted and identify those that may be eligible for capital funding. This would be important information for the local groups as they work to prioritize the expense targets allocations. As the project selection process moves forward over the next several months, if there are issues that develop with regard to the province allocations they will be identified here and brought to the Committee and Council for discussion.

Comment received: Bonneville provided comments (3/3/06 letter) that suggest that we keep two factors in mind. That funding capital projects often commits out-year funding for operations and maintenance and that this needs to be evaluated as a priority relative to other possible uses for that funding. Also, that capital funds must be repaid with interest so that capital project actually cost more in the long run, than expense projects.

Staff recommendations (March 14, 2006**):** No change from preliminary recommendations.

Committee Recommendation (April 12, 2006): The Committee accepted the staff recommendations. The Committee understands that Bonneville is reviewing the proposals to determine which are eligible for capital funding, and that this review will be completed very soon. The Committee recommends to the Council that it direct staff to review Bonneville's determinations, work to reach an agreement on those designations, and if there are disagreements or other budget or funding allocation issues that emerge as this process moves forward, return those to the Committee.

Council decision (April 13, 2006): Council voted to accept a motion that acknowledged Bonneville's funding commitment for the 2007-09 rate period and that that commitment was used to set Council allocation targets.

2. Ensuring projects recommended respond to BPA/FCRPS obligations without "in lieu" funding problems.

Bonneville has a legal obligation to protect, mitigate, and enhance fish and wildlife impacted by hydrosystem development and operation. This is Bonneville's "responsibility." To meet that duty, Bonneville has the *authority* to fund on-site protection and mitigation actions as well as offsite habitat and production actions--that offsite work now catalogued in subbasin plans.

As the Council stated in its public letter resolving broader process issues in the subbasin planning process, as long as an offsite mitigation project proposal funded by Bonneville addresses a species identified as adversely affected by the hydrosystem, that action is potentially within the authority of Bonneville to fund as part of its effort to satisfy its Power Act mitigation obligation -- in doing so, Bonneville is responding to its legal *responsibility* to protect, mitigate, and enhance fish and wildlife. The possible exceptions are those cases where Bonneville funding for a project replaces funding of another entity that is required or in place. The Act precludes Bonneville from funding this work "in lieu" of funding provided by another responsible party.

Preliminary Staff Recommendations (February 21, 2006): Determining which project proposals may run afoul of the Act's in lieu funding prohibition has always been done by Bonneville. It would be extremely helpful to both the Council and the local groups developing project funding prioritization recommendations if Bonneville would quickly review the proposals and provide notice to the Council of the particular proposals that may present an in lieu funding problem. The staff suggests a date of March 6th for notice of which (if any) proposals may have in lieu funding issues.

Comment received: Bonneville noted in their response that they would provide the results of their review of proposals for in lieu concerns in April, not in March as the previous draft of the memo suggested.

Staff recommendations (pending**):** No immediate change in the staff recommendations. As the result of Bonneville's proposal review will be available in early April instead of March, this issue may need to be re-visited at a later date.

3. Integration of off-site mitigation requirements of FCRPS Biological Opinions

In past project selection processes the Council has sought to deliver recommendations to Bonneville that satisfied its ESA-based objectives balanced with its broader Northwest Power Act obligation to protect, mitigate and enhance any fish and wildlife affected by the hydrosystem. A consistent message from the Council has been that Bonneville needs to make its ESA-based requirements known as early in the project selection process as possible so that those could be considered as part of the overall and broader fish and wildlife project recommendation package the Council develops.

Further, the Council has consistently stated that BPA's ESA-based actions need to be held to the same level of scientific, public, and Council review as all other fish and wildlife actions funded by Bonneville, and that the best way to ensure this is to develop any specific ESA-based actions as part of the general project selection process. The Council believes that it has been very successful in delivering the ESA-based projects sought by Bonneville in its project selection and within-year funding processes (the RPAs from the 2000 BiOP primarily).

The current project selection process began with substantial uncertainty attending Bonneville's ESA-based needs. The 2000 and 2004 Biological Opinions and the Action Agency Updated Proposed Action had been declared not legally sufficient by the Federal Court. Just as the Council and Bonneville released the call for proposals to be funded by Bonneville in this next cycle, Bonneville and the other Action Agencies were ramping up their work to respond to the Court's rulings, which may include securing needed survival improvements from off-site actions. The staff understands that the Action Agencies and NOAA seek to have a draft FCRPS Biological Opinion completed around June 1, and a final in October. It is unclear to staff when in the course of that work off-site actions (habitat, hatchery, etc) if any, may be identified as part of the Agencies' proposed action or the NOAA draft Biological Opinion.

Preliminary Staff Recommendations (February 21, 2006): The staff recommends that the Council adhere to its consistent position that Bonneville's ESA-based off-site mitigation projects be developed, as much as possible, within the general project selection process. Again, the benefits are substantial -- scientific rigor, public notice and comment, and budget scrutiny are products of this process. Moreover, once a project proposal is selected in this process, it will have secured scientific and public support, have a specific entity assigned to do the work and an implementation budget associated with it -- a strong case that the action is "reasonably certain to occur" can be made. In that light, the staff recommends that the Council continue to advise Bonneville and others working on the FCRPS Biological Opinion and Proposed Action that there are over 500 proposals that were submitted on January 10th that are candidates for consideration of any off-site mitigation element that may be part of the those ESA products being developed. These proposals are being reviewed by the ISRP and also local groups familiar with subbasin plans, and in many cases, recovery plans that have been built upon subbasin plans.

It is possible that Bonneville may make its best efforts to utilize the project selection process for meeting any off-site ESA requirements that are developed, but that there remain "gaps" that it believes it needs to address. Should this become a reality, the staff recommends that the Council ask Bonneville to fully coordinate it's response to filling those gaps with the Council, and that any additional or modified process for filling "gaps" be designed to have the same high standards for scientific review and public review that attends the Council's general project selection process.

Comment received: Bonneville's response indicated general support for the staff recommendation of integrating Fish and Wildlife Program and ESA needs, but expressed come concern about province allocations: " We do have some concern that the existing province funding allocations may complicate priorities derived from subbasin plan assessments and the review and prioritization process currently underway. It will be important for NPCC and BPA to consider the impact and limitations of these allocations as the review of project proposals proceeds".

Staff recommendations (March 14, 2006): No change from preliminary recommendations.

Committee Recommendation (April 12, 2006**):** The Committee accepted the staff recommendation. The Committee recommends to the Council that it and its staff continue to encourage Bonneville to make any specific ESA-based needs known as early as possible. Further, the Council and its staff should continue to coordinate with Bonneville, NOAA and others in all fora, to make those agencies aware of the schedule and process underway for choosing Bonneville funded fish and wildlife projects to be implemented in FY 07-09. Finally, the Committee recommends that the Council continue to advise Bonneville that should specific ESA-based required activities be identified which are not addressed by the proposals under review or that are ultimately recommended for funding by the Council -- if there are "gaps" -- that Bonneville work with the Council to establish the means of funding and the process for filling "gaps." Any such process would be designed in accord with 4(h)(10)(d) -"the Gorton Amendment".

Council decision (April 13, 2006): The Council voted to adopt the Committee recommendation.

4. Transition to integrated regional monitoring and evaluation framework

The Fish and Wildlife Program calls for a monitoring program to evaluate whether the individual actions in the subbasins are achieving the objectives of the program stated at the basin and province level. In making its project funding recommendations, the Council seeks to prioritize monitoring activities and methods to evaluate the effectiveness of Program activities and trends in fish and wildlife populations and habitat conditions.

When it approved guidance for the 2007-2009 project selection process, the Council recognized that regional parties have collaborated to define common protocols for monitoring watershed conditions, population trends and the effectiveness of Program measures. The promise of this collaboration is that the information from individual projects and subbasins can "roll up" to broader geographic scales for evaluation of the success of the Program in meeting its objectives.

While this collaborative effort continues, the Council is ready to confirm the priorities for funding monitoring within each of the "H's" that affect salmon and steelhead survival as well as resident fish and wildlife response to Program measures. In the 2007-2009 recommendations, the Council can define expectations for the function that specific projects should perform in support of regional evaluation. The Council can also define which monitoring methods it will prioritize for Program funding and plan for a transition for currently funded methods over a specific period of time.

Preliminary staff recommendation (March 21, 2006): This recommendation is organized by the components of monitoring needed for Program evaluation. These components relate to each other to provide information on the overall status of fish and wildlife populations in response to Program measures.

1. Hydrosystem survival: The Council will confirm with NOAA Fisheries, the federal action agencies, and the region's fish and wildlife managers that the design and methods of smolt and adult passage monitoring meets current management needs for guiding river operations annually and evaluating trends in passage survival. The staff has asked Bonneville to review these functions for meeting the requirements of the current Biological Opinion. The Council will determine that the data from passage monitoring is collected and made available consistent with the Program.

2. Habitat: The Council is developing priorities for the collection of data to evaluate changes in watershed conditions relative to the assessments used for the first set of subbasin plans. Because much of that data comes from other funding agencies, the Council will set priorities for collecting such data regionally and to support confirmation of monitoring protocols for regional consistency. The Council is also prioritizing limited research focused on fish habitat project effectiveness.

2a. Watershed condition data funded through the Program: Where projects are prioritized to collect data that indicate the condition of habitat for fish and wildlife, the Council recommends that such data be focused first on the priority indicators needed to inform future subbasin planning. For discussion purposes in this memo, those indicators are: water temperature, flow, passage, benthic macro-invertebrate assemblages, large woody debris, sedimentation, dissolved oxygen, nutrients, and stream morphology.

The Council intends to prioritize funding away from project tasks that collect data on other indicators, or that serve only to inform evaluation of the individual project without specific justification. This transition should be accomplished within three years or the next call for project recommendations.

2b. Aquatic habitat project effectiveness: The Council in its guidance for the 2007-2009 solicitation stated that monitoring for individual habitat projects should be limited to five percent of the project costs. The staff recommends that the strategy to obtain more information on the effectiveness of habitat restoration on fish survival be to prioritize three "intensively monitored watersheds" experiments. These are planned being developed in the Wenatchee, John Day and Salmon River subbasins and were initiated during the last Mainstem/Systemwide process. With PNAMP's ongoing coordination, these three projects are linked to similar work on the Pacific Coast funded through other sources. In confirming future funding for these experiments, the Council should consider the strength of these experiments in being able to demonstrate that discrete habitat actions result in measurable change in fish survival.

3. Population status and trends: The Program currently funds a wide array of population monitoring which supports both management and ESA delisting analysis. Other work in the basin is funded from other sources such as license fee revenue and other mitigation programs.

For anadromous fish population monitoring proposed for funding in the Program, the Council expects the methods to be consistent with the randomly distributed sampling designs endorsed by the ISRP in its 2005 retrospective report. Prioritized proposals using other sampling designs should provide a transition plan as part of Bonneville contracting.

The appropriate distribution of monitoring sites for abundance, productivity and diversity needs more discussion as part of ESA recovery planning. Distribution may also be determined by the adoption of provincial objectives into the Council Program, currently planned for 2007. Pending those determinations, the Council staff proposes to complete a rough inventory of the distribution of monitoring in the currently funded program. When coverage to support ESA delisting requirements and provincial objectives is determined, the Council will plan a transition to support the prioritized distribution.

Where population monitoring for resident fish is prioritized for funding through the Program, the appropriateness of methods will continued to be reviewed by the ISRP. The staff does not propose a standard protocol at this time.

For wildlife population monitoring, the ISRP has continued to urge the Council to prioritize census monitoring to measure the response of target populations to acquisition and management of habitat. Currently, the Program calls for monitoring habitat value using the Habitat Evaluation Procedure (HEP) methodology. Periodic surveys of the quality of habitat protected by the Program are efficient and will be prioritized in the Mainstem/Systemwide Review. More directly counting estimating the changes in target wildlife species population and determining the specific influence resulting from habitat acquisitions is likely to be more expensive and will require the development of landscape level population estimates. The staff recommends continuing to use the HEP methodology as an accounting mechanism for tracking Bonneville's obligations for wildlife mitigation in the Program but will continue to review alternative procedures for monitoring population responses as proposed by the ISRP.

4. Hatchery monitoring: The Program funds significant activities related to hatchery performance. There are two issues for Council guidance in the 2007-2009 project selection process: linking the Program's supplementation effectiveness monitoring into a more integrated regional experiment, and the level of funding for monitoring of hatchery performance against project objectives and effects on naturally spawning populations. The Council also continues to collaborate on regional hatchery review and reform processes.

4a. Prioritize Designate the design of an integrated supplementation experiment as a priority action: The monitoring designs for each of the Program's supplementation projects have received ISRP review for design and outcomes. The ISRP is reviewing each project's design again this year. However, both the ISRP and ISAB have urged that the monitoring of projects be linked together so that the results from one project might serve the needs of others and diminish the need for each project's design. For example, the control stream used for one project might serve others with similar applications of supplementation techniques. The staff recommends that the Council prioritize development of an integrated regional design for completion and scientific review in 2007.

4b. Hatchery performance monitoring: For 2007-2009, the staff recommends funding that the ISRP review determines is appropriate, subject to budget capacity. with ISRP review of the appropriateness of each hatchery's performance monitoring in 2007-2009 The Council staff and Bonneville should determine that the data from each project's monitoring is being reported to the region consistent with the Program's standards for timeliness and accompanying metadata.

5. Estuary habitat status and trend monitoring: As called for in the Program, the ecological status of the Columbia River estuary and plume has been treated as a planning unit in subbasin planning and project selection. The 2000 and 2004 Biological Opinions also assigned responsibility to the federal action agencies for monitoring of the estuary. Although there have been several successful estuary research projects, the design of a pilot estuary monitoring project has not been successful in independent scientific review. Proposals have been made for 2007-2009 and are being reviewed by the ISRP. Monitoring the conditions of the estuary involves a number of other funding partners so the staff will focus on the appropriate role for Bonneville funding in the 2007-2009 project selection process.

6. Ocean harvest monitoring: Program funding supports monitoring of harvest in the ocean through at least two methods: directly through funding of coded wire tag programs and indirectly through dam counts. The staff recommends addressing the adequacy of information and appropriate share of Bonneville funding in the Mainstem/Systemwide project review.

7. Data management: Collecting the data from each of these monitoring components requires specific commitment for delivery to regionally accessible sources. The Council has a memorandum of agreement with other regional parties to confirm a work plan for a web-accessible data portal. The Mainstem/Systemwide project review will prioritize funding for a request for support of the portal with other funding partners. The review will also address the necessary scope and functions of the Streamnet project that is the primary collector and maintainer of data from Program-funded projects. The staff recommends working with sponsors and Bonneville project managers to determine if proposed ongoing projects deliver their data to regional sources consistent with the Program. The staff recommends that meeting this standard become a condition of future contracting and verified by Bonneville project managers as part of project performance review.

8. Basinwide and province performance evaluation: The Program calls for adopting province-scale objectives which will serve as benchmarks to assess how individual actions in subbasins are adding up at broader scales. The Council plans to open the Program for proposed amendments to adopt provincial objectives this year.

Performance against these objectives will guide future funding allocations and management emphasis. From the data collected from the monitoring components listed above, the staff recommends that monitoring of performance against provincial objectives use specific "high level indicators" and for discussion in this draft, those indicators be:

- Fish survival or productivity indicators
- Spatial distribution

- Annual population growth rates
- Ocean productivity indices
- Hatchery releases and return rates
- Habitat conditions, summarized from the watershed condition indicators
- Harvest rates
- Adult and juvenile passage survival through the mainstem dams

9. Reporting: The staff recommends prioritizing the production of an annual report that summarizes the data from the high level indicators proposed above. The Columbia Basin Fish and Wildlife Authority is funded to produce an initial summary report for 2006. The staff expects the content to evolve as provincial objectives are adopted into the Program and specific indicators are confirmed. In the meantime, the staff recommends that the Council review and approve the content for the initial report funded for 2006. CBFWA is presenting an initial content proposal to the Council's Fish and Wildlife Committee at its March meeting.

The staff also recommends prioritizing funding for an on-line peer-reviewed journal for Program-funded research a priority. Specific proposals or an appropriate placeholder for an RFP for such a journal will be reviewed in the Mainstem/Systemwide proposal review.

Comment received: The Committee discussed the tasks proposed by the staff to apply this guidance in developing project funding recommendations. Committee members asked for regular status reports and the names of the staff working on each task.

Staff Recommendation (April 12, 2006): Reaffirm the preliminary staff recommendation.

Committee Recommendation (April 12, 2006): The Committee accepted the staff recommendation.

Comment received (April 13, 2006): The Council released the discussion of the transition to an integrated regional monitoring and evaluation framework for public comment and ISRP review. Comments will be accepted through May 26, 2006.

5. Assumptions for use of Bonneville's capital borrowing authority to finance certain recommended proposals

For Fiscal Years 2007 through 2009, Bonneville has stated that it will make available up to $36 million for "capital" investments. Bonneville has also stated that use of these funds is subject to particular rules and standards prescribed by Bonneville in its "Capital Funding Policy for Fish and Wildlife Projects."

The Council has differed with Bonneville for the last few years over these rules for access to Bonneville capital for the fish and wildlife program. The Council has stated its belief that Bonneville has read the governing legal requirements and accounting rules more strictly than warranted, resulting in more restricted use of capital funding than is necessary or prudent. Specific issues have included whether a project must cost more than $1 million to be eligible for

capital funding; whether and how separate but related actions that each cost less than $1 million may be aggregated to reach the threshold; whether a "crediting" mechanism must be in place first for a project to be eligible for capital funding and of what type; when and how planning expenses for a capital project may be capitalized; and more.

In the last set of multi-year project recommendations (in the provincial review process), the Council recommended projects for capital funding based on our understanding of the rules of access for capital funding. This was just before the Bonneville rules and policy were clarified. The end result was that the Council recommended a number of projects for capital funding that Bonneville did not allow to be funded in that way. Projects either stalled or had to be funded out of the very tight expense budget if they were to go forward, while the available capital funds went largely unused.

The Council directly raised these capital policy issues with Bonneville in the Council's funding recommendation decisions in FY05 and FY06. Bonneville held firm to the rules of access in its capital policy. The only two types of projects that have managed to satisfy the capital rules in any systematic way have been the actual construction costs of major hatchery facilities and large land acquisitions for wildlife mitigation (and last year, Bonneville allowed certain related wildlife land acquisition projects to be aggregated to reach the $1 million threshold). Project types that Bonneville has deemed *not* to satisfy the capital rules have included other wildlife land acquisition projects (as less than $1 million); nearly all land acquisitions to protect habitat for fish, even if well over the monetary threshold, on the grounds that the program lacks a crediting mechanism for fish habitat acquisitions (outside of the context of the Hungry Horse and Libby mitigation programs); planning expenses for major capital facilities; and large coordinated investments in fish habitat protection through installation of fish screens or other passage improvements, water optimization and other similar work. The application of the rules for access to capital in this last category may be tightening.

The Council needs to decide how to proceed as it reviews project proposals for in all these areas for FY07 to 09. It seems pointless once again to include projects in the capital budget that we know Bonneville will conclude do not satisfy the rules for access to capital, and then write up the issue in the decision memo. The practical choices are to yield (for the moment) or elevate the issue in a more substantial way, through a higher profile political or legal strategy.

Preliminary Staff Recommendation (March 21, 2006):
The staff's preliminary recommendation is to acquiesce in the Bonneville policy for the purposes of constructing the FY 07-09 budget recommendations. Acquiescence does *not* mean giving up on seeking changes in the capital policy. What it would mean is that in constructing the planning budget recommendation for the coming fiscal years, the Council would develop the capital and expense parts of the budgets using Bonneville's interpretation rules for access to capital. At the same time, the Council could pledge to continue to try to get Bonneville to modify those rules or (more likely) be more flexible in their application, with the possibility of adjusting the set of projects in the capital side of the budget in the future if the capital policy changes or moderates in application.

Comment received: The Committee largely agreed with the preliminary staff recommendation. While the Committee did not endorse in every particular what it understands to be Bonneville's

capital policy, it did decide that what is most immediately important is having Bonneville clearly document its capital funding policy -- to be clear about what the rules are and to be consistent in applying them. However, the Committee was not willing to accept without more investigation and discussion that the expense fund for fish and wildlife be decremented retroactively because some projects were identified by Bonneville that have been previously capitalized but do not meet capital funding requirements. The Committee accepts that those projects need to be funded in the future with expense funds.

Staff Recommendation (April 12, 2006): No change from the Preliminary recommendation. The staff will work with Bonneville to determine if there is flexibility around Bonneville's initial comment that the expense fund will have to be decremented retroactively for the projects recently reclassified from capital eligible to not being capital eligible.

Committee Recommendation (May 9, 2006): The Committee accepted the staff recommendation to acquiesce in the Bonneville policy for the purposes of constructing the FY 07-09 budget recommendations. Acquiescence does *not* mean giving up on seeking changes in the capital policy. What it would mean is that in constructing the planning budget recommendation for the coming fiscal years, the Council would develop the capital and expense parts of the budgets using Bonneville's interpretation rules for access to capital. At the same time, the Council could pledge to continue to try to get Bonneville to modify those rules or (more likely) be more flexible in their application, with the possibility of adjusting the set of projects in the capital side of the budget in the future if the capital policy changes or moderates in application. The Committee reinforced the point that they are *not* willing to accept that the expense fund for fish and wildlife be decremented retroactively because some projects previously identified by Bonneville as capital now do not meet capital funding requirements.

Council action (June 1, 2006): At this time, the full Council is still considering the Committee recommendation.

6. Funding the Operating and Maintenance Costs of a Maturing Program

The fish and wildlife program is in its third decade of implementation and is maturing. That is, over the years, program implementation has included the development of infrastructure that is durable, providing ongoing fish and wildlife benefits. Consider the types of projects funded in the 20+ years of fish and wildlife program implementation -- the construction of hatcheries; building riparian fences; installing fish-friendly structures and screens; securing interests in land; building housing facilities. In most cases, these investments have been made with an expectation, in fact a commitment in many cases, that Bonneville would provide funding post "build-out" to operate and maintain these facilities to continue the flow of fish and wildlife benefits over a long period of time.

The Council has observed that the costs to operate and maintain the infrastructure built up under the fish and wildlife program is growing, and consuming a larger share of the available expense budget each year. The Council has observed that if this trend continues without a significantly expanding expense budget, there will be diminishing flexibility in the program to start new projects directed at emerging or shifting priorities. This is the basic "problem statement" that the staff suggests a discussion of -- that operations and maintenance costs are consuming an ever-

increasing portion of the available budget reducing new opportunity and flexibility in the program.

A critical part of the background for a discussion on ways to fund the operation and maintenance of the program is to recognize from the outset that the historical approach to implementing the fish and wildlife program is quite different than many of the "grants-type" programs we see operating in the region or nationally. That is, most grants-type programs provide a single block of funding to accomplish the objective. In those grants programs, the types activities funded don't require a continuous funding stream for operations and maintenance, or those future operations and maintenance funding needs are assumed by the grantee in some way. On the other hand, because Bonneville has a legal obligations to accomplish fish and wildlife protection, mitigation and enhancement, and those obligations extend over time, this program has always sought to ensure that the flow of benefits from initial investments in infrastructure continue over time as well. A second critical part of the background is to recognize that operations and maintenance funding has usually been developed on a project-by-project basis, with each project identifying its requirements but without really presenting a long-term maintenance plan and without any form of uniform or standard operations activities and costs guidelines. And, as noted above, operations and maintenance costs have been expensed in most instances.

The staff believes that the Council, Bonneville, and others should consider alternative approaches for developing and funding the continued operation and maintenance costs of the infrastructure built as part of the program. Trust funds, capitalization, benchmarking costs, explicit maintenance plans and other issue should be explored. In short, it could be said that it is time to start looking at the entirety of the fish and wildlife program as a mature and durable program and develop a more cohesive and comprehensive maintenance plan for it and more creative and efficient ways to fund that maintenance plan.

Preliminary Staff Recommendation (April 12, 2006): The Committee should consider and discuss the "problem statement" noted above -- that as the program matures, operations and maintenance costs are consuming available budget and limiting options for new and emerging needs and priorities. If the Committee accepts that problem statement and believes it is a priority issue, it should direct staff to further scope the issue and develop proposed alternatives for Council and regional consideration.

Comment Received: The Committee agreed that funding the operational and maintenance requirements of the Program needs a thorough review, and that this should be started immediately. The Committee confirmed the "problem statement" -- that the maturing program is developing O&M needs that are consuming an ever increasing share of the available budget, and this is seriously reducing the flexibility of the Program. While Bonneville has not (to date) submitted any written comments, the staff to staff conversations indicate that Bonneville agrees that we need to take a fresh look at the O&M treatment for the Program, it supports the Committee's decision to press forward with this issue, and that it would like to help.

The Committee asked the staff to develop a more detailed proposal about how to address this matter, and return for more discussion at the May meeting.

Staff Recommendation (May 9, 2006)**:**

The staff proposes tackling the O&M issue programmatically, and in essentially three steps.

Step 1 : Develop a common definition for what activities within the program are considered "operations and maintenance."

We need to make sure that all interested parties understand exactly what we are talking about when we say "O&M". The staff suggests that we develop an agreed upon definition for "O&M" recognizing that the focus should be on *long-term type* O&M -- that which sustains the serviceability of the Programs past investments that we want to retain over time. Further, the staff believes that it is likely that we find that there are a few distinct categories of long-term O&M, and that it facilitates this review to break out those distinct categories. For example, there may be a category of long-term O&M that is related to lands acquired in the program; a category of long-term O&M related to artificial production facilities, and perhaps others. Summing up, the first step is defining what constitutes long-term O&M in the Program. The staff would like to work with the fish and wildlife managers, CBFWA, Bonneville and perhaps others to develop this common starting point. The staff believes that the Pisces work elements and existing O&M management agreements provide immediate sources of information that can be used for this first step.

Step 2: Identify O&M activities that the program should support and benchmarking costs of those actions.

Assuming we have reached a common definition of what we mean when we say "O&M" (and especially *long-term* O&M), and believing that we will develop categories of O&M, the next step is to take a critical look at the management actions or activities in each O&M category. For example, if we decide there is an artificial production facility O&M category, actions within that category might include things like: water pump/system and facility maintenance; disease control; feeding costs; fleet maintenance; etc. The staff would work with the fish and wildlife managers, CBFWA, Bonneville and perhaps others to identify the actual actions or activities that are undertaken under the umbrella of artificial production facility O&M. The same would be done for the other general O&M categories identified in the first step.

Next, with all of the actions or activities for each O&M category identified, the staff, again with the assistance with others, would recommend which of those activities (e.g., criteria) should be supported over the long-term by the Program. In essence, the staff would work to develop a list of presumptively accepted long-term O&M activities for each O&M category -- something of an "Best Management Practices Guide"). This is not to say that in future funding decisions that no other type of O&M could be justified. Rather, if it were not in the "Guide" it simply means that it would not be *presumptively* appropriate for Program and funding. The proposed activity would have to make the case on its own merits with heightened review. Again, the staff believes that the Pisces system and existing projects and O&M agreements are the source of material to start with. Finally, the staff recognizes that there may instances where the base project (e.g. a hatchery) purposes and/or the base project location (land in SW Idaho v. Willamette Valley) may dictate different types of long-term O&M activities, and so there may not be a one-size-fits-all list even within one distinct O&M category. However, the considerations that drive that variability can be discussed and made more explicit in this step of the work.

Consider now that there are lists of long-term O&M activities identified for differentcategories of O&M. Those lists identify the particular activities that the Council, Bonneville, and others agree that the Program should fund. That leads to the question -- fund at what level? The staff thinks of this as a cost benchmarking exercise. Working the fish and wildlife managers, CBFWA, Bonneville and perhaps others, the staff would like to try to establish an appropriate cost or rate for each O&M activity. The staff believes that it is most likely that a cost-range, rather than a precise estimate will be produced.

The staff would report to the Council throughout the course of developing this work, and the Council can decide how to best engage the public as choices are made about what long-term O&M activities should be supported by the Program and as the cost-benchmarks are established.

Step 3: The first step brings clarity and a common starting point to the work. The second step seeks to identify appropriate activities and acceptable costs. The staff believes the final step is to explore more creative funding vehicles or approaches for delivering the actual long-term O&M funds. While the staff has not explored it deeply, it is aware that Bonneville has used trust type arrangements to secure the long-term value of large fish and wildlife program investments. This is only an example -- the main point is that the staff wants to work with others to see if there is a more cost-effective way to provide funding for long-term actions that are needed to maintain the flow of fish and wildlife benefits from the "infrastructure" developed over the past 26 years of Program implementation.

Timing: This work will not be finished in time to influence FY 07-09 funding recommendations. Rather, it is work that would be initiated along with the project selection process or begin soon after it is finished, with an objective of being in place to guide the solicitation, proposal development and funding recommendations beginning for FY 2010.

Committee discussion/comments received :
The Committee expressed general support for the three-step approach discussed above. The primary concern is timing. The Council, Bonneville, CBFWA staff and fish and wildlife managers that would be required to perform the work described above will be involved in the project selection process through October of 2006.

Staff recommendation (June 13, 2006):
No change from the staff recommendation above, with the addition that the staff recommends that work on this effort should begin upon the completion of the project selection process in October of 2006.

7. Future Project Selection Process -- Organization, Timing, and Other Particulars

The organization and schedule of the project selection process being used to make recommendations for FY 07-09 funding was born out of necessity. The Council knew and made clear that it was not the ideal. This current process was developed to refresh Council, ISRP and public reviews of proposals that had not been reviewed for several years in some instances, and to begin the alignment of projects to recently completed and adopted subbasin plans. However, neither the Council, its staff, the ISRP, nor the participants in the process believe that this sort of

project section process -- all proposals reviewed on a compressed schedule -- should be sustained into the future. So, even as we conduct this FY 07-09 process, the staff suggests that it is time to start designing what the next project selection process should look like, what schedule it should have, and what its objectives are.

First, note that there are some basic elements of any project selection process -- project proposals are developed using standardized forms; independent scientific review is conducted on the proposals, there is public review of ISRP reports, prioritization of the work against program objectives and available budget, and ultimately Council review and recommendations to Bonneville. Further, the project selection process requires principles or bases for choosing how to allocate the funding made available by Bonneville across the region. A definite schedule is required so that the many interests participating (sponsors, Council, ISRP, Bonneville) can plan their participation and deliver the products they are responsible for within the process. Mindful of those basic elements or broad parameters of any project selection process, we would like to discuss alternative designs for the next project review. At this time, we have two concepts we would like to start exploring:

- **Geographically focused reviews -- Province oriented**

This "model" is the former rolling provincial review. The Council started the project selection process by calling for proposals in a first set of provinces and started working through the review process. A call for proposals in a second set of provinces was initiated before the first was completed; then a third set of provinces, and so forth. Proposals for all types of projects -- new, ongoing, habitat focused, hatcheries, research, etc -- were invited for whatever set of provinces was in the review. The ISRP did site-visits, heard sponsor presentations on proposals, and public and Council review was deliberate and in-depth. This sequenced and staggered provincial review was conducted over more than two years.

The Council could choose to return to the geography based staggered province review process for the next round of project selection.

- **Theme or "Compartment" reviews -- Topic oriented**

As the Council was considering how to design the current review process, there was considerable discussion about developing a different model for project selection -- one that is not based so strictly on provinces or geography, but rather, one that seeks, sorts and prioritizes project selection by "compartment" or project type. Some of the observations made around this conversation were that it might be useful to have projects of a similar type reviewed and prioritized as a compartment, without regard for their location. It may allow cost, and method comparisons among similar types of projects, which could facilitate cost benchmarking, or development of standard or common management practices.

Compartment review may allow the Council, ISRP, and sponsors to recognize some fundamental differences between some ongoing project proposals differently and new proposals. For example, does it make sense to treat the operations and maintenance budgets for hatchery facilities, lands acquired for wildlife, etc as entirely discretionary? Said another way, is it really accurate to suggest that every dollar in the annual expense budget is truly discretionary and available for new proposals, or is some portion of that essentially committed to sustain program-

developed infrastructure? (Consider the discussion from Issue 6 about Operations and Maintenance above). Further, does it makes sense to standardize the duration of the Council's funding recommendations, or should the projects in some "compartments" be given longer (or shorter) duration funding recommendations?

Attached to this document is a diagram that has been used by the staff to illustrate and discuss at a staff level the concept of a compartment or theme based project selection process.

Preliminary Staff Recommendation (April 12, 2006): The staff would like the Committee to start to discuss alternative approaches to the next project selection process. Advice on what policy level objectives it believes the Council may want to pursue in the next round of project selection would help the staff develop one of the two process models more fully, or to develop other models (possibly a combination of the two). Further, as recognized this fall, if the Council chose an approach and started the review process within the next year, it would be possible to revise the FY 09 recommendations it makes for some set of projects in this current process (see the staggered review diagram attachment) -- this is not to say such a revision is a necessity, just a possibility.

Comments received: The Committee agreed to consider an approach for project selection that blends a topic-oriented review with a geographically focused review. One concerned raised by the committee was that the geographic based review allows geographic based groups to review and prioritize proposals and grapple with issue that are familiar to them. Relationships in the provinces have been established over time and people have become familiar with each other and with the work that occurs in the provinces. Some concern was expressed that moving to an entirely topic-based review could cause a "disconnect" from this.

Staff Recommendation (May 9, 2006):

With the benefit of the discussion with the Committee, the staff thought more about the two basic project selection review process approaches it presented in April, and believes that perhaps a third option should be considered. This option is really a hybrid or blend of geography based province review and the theme or "compartment" based review.

In this blended approach, the Council could break the program into functional program categories. At the moment, staff can see three basic functional categories (and perhaps a fourth mentioned at the end). The first functional category might include "core" and basinwide work that supports policy and implementation decision-making over the long-term (e.g., data management, coordination, R,M &E). The second functional category might be long-term work necessary to maintain the benefits of major investments made by the Program in (e.g. O&M). The third functional category is the more flexible discretionary work (e.g. specific habitat restoration projects, discreet research projects, etc). We have developed a diagram to depict this.

These functional categories try to accomplish two primary objectives. First, like-kind projects are grouped together to facilitate "apples-to-apples" project review by the Council, ISRP, local review groups and the public. Second, the functional categories are designed to take into account the longevity of the Program commitment that is required. For example on this second point, so long as the Program exists, there will be some need for basin-scale data management and coordination -- "core" category. On the other hand, while we can safely say that some new

habitat restoration projects in the tributaries will be started with each new project cycle, we can't say where they will start, how many will be started or how long any one such project may need to be funded. The project review process we design should recognize the real differences between these functional program categories.

This approach acknowledges that the Program has been in an implementation mode for for 25 years and there are commitments established. For example, long-term work such as hatchery operation and maintenance is a long-term commitment. These projects have substantial past investments and past reviews and Council decisions acknowledge the importance of these projects to the Program. Similarly, this organization acknowledges that the Program is always going to have some commitment made to projects that support the basic policy and management decision-making (data management, research, monitoring, coordination). Finally, this approach recognizes that there is a category of work that is more discretionary and flexible and may grow or shrink depending on Bonneville's funding capacity and the amount of funding dedicated to the other more long-term functional program areas.

Within each functional program category it may be useful to group specific related types of work. For example, if we develop a long-term operations and maintenance functional category, within that we may group hatchery O&M and land O&M, etc. Similarly, if we recognize a functional program category that supports decision-making -- what we might call a "Core" functional category-- we may have subgroups within it for data management; R, M&E; coordination etc.

Clearly, there is a need to define each of the functional program categories. Further, if we do subgroups of work within each category we need definitions and criteria for those finer splits as well. The staff would work with fish and wildlife managers, CBFWA, the ISRP and Bonneville to work up definitions and criteria for these and then work that with those through the Committee.

<u>A different solicitation and review approach</u>

If we choose to define the program into these functional categories (and subsets within them) the staff believes that the timing and type of project review might be different for each. For example, if we have a long-term O&M category it may not make sense to conduct a full solicitation for that work -- this is because the entity operating the hatchery or managing the land is going to the one that performs the O&M for those facilities--it is nonsensical to act as if some other entity might come in and operate and maintain the facility so why invite that sort of proposal? Similarly, if we have developed a research plan for the Program, rather than an open solicitation, it may make more sense to use something of a targeted RFP approach. These are just examples.

Similarly, for some functional categories of work like a core and long-term O&M category, once the proposals are reviewed by the ISRP and recommended by the Council, unless the approved activities change significantly, there may not be a need for another full-scale "science review" for some time. Rather, the review process may be more oriented towards a performance review and would take place on a schedule that would allow the sponsor and Council to evaluate actual performance.

Finally, for that third functional category of work that is more discretionary and flexible, the solicitation and review process would look a lot like the rolling provincial reviews, where you might solicit proposals for groups of provinces and have that sponsors base that work on the priorities within the subbasin plans. The staff thinks examples of this are habitat restoration projects in or unique research initiatives that are not addressing basin-level questions. There may be others, in this third functional category, but these are noted to illustrate staff thinking. With the other functional program areas sized first, the Council could be more clear in the solicitation about how much funding is really available for this new work. The ISRP, Council, and public would all review the proposals much like it did in the past rolling review process.

Finally, and as mentioned above, there could be a fourth functional program areas that is really a strategic funding reserve or allocation block that could be used to address as yet unknown needs for meeting biological opinion needs (example UPA work), gaps or for other needs yet to be defined.

Committee Discussion/Comments Received: The Committee continued its discussion of the general models for the future project selection process -- "geography based"; "compartment based"; and the "hybrid" that was described in the Staff Recommendation. The staff believes that the Committee was interested in and generally supportive of more development of the "hybrid" model. At least one member strongly supported this redesigned approach, while another commented that the hybrid model would seem to require that their staffs and local review groups direct more time on proposals that are outside of their states and that this would have to be balanced against the necessity of being acutely familiar with the projects within their own jurisdiction. Feedback from other interested parties on the hybrid model has been positive. The staff will continue to develop this proposal over the next month or two -- essentially seeking to clarify what the "compartments" should be, and how to ensure that local input on subbasin plan implementation can be ensured. The staff believes we will come back to the Committee with this issue in August or September.

Staff Recommendation No change from Preliminary Recommendation -- return to the issue in August or September.

8. FY 2007 - 2009 Within-Year Program Budget Tracking and Adjustment Process

Late in fiscal year (FY) 2004 Bonneville, the Council and the Columbia Basin Fish and Wildlife Authority formed a Budget Oversight Group (BOG) to conduct a budget-tracking process. It was anticipated that this process would be used to track project budgets, adjustments and scope modification requests throughout the fiscal year. The goal was an open and transparent process. The BOG has met monthly since September 2004 on the Wednesday prior to regularly scheduled Council meetings.

As part of its Fiscal Year 2007-2009 project recommendation decisions, the staff would like the Committee and Council to confirm that the current process will continue to be used in generally the same way. However, the staff is proposing a few changes that would require Council support. We will call out those changes specifically as we describe the within-year process below.

Role of the BOG

In the course of implementing fish and wildlife projects, sponsors sometimes propose adjustments of one form or another. A principal role of the BOG has been to review these adjustment requests, and to determine it they are to a "reschedule" (i.e., rescheduling the same approved work and budget from one fiscal year to another) or a "within-year modification" (i.e., modification of scope and/or budget and/or new request during FY). For the latter category, the BOG has also established several categories of within-year modifications, and when it reviews them, it sorts them into these various categories. Reschedule requests are forwarded to Bonneville for assessment and funding as funds become available. Within-year requests are also forwarded to Bonneville, but they are stockpiled and addressed at the fiscal year quarterly review meetings where they are prioritized to establish which budget adjustment requests cam be accommodated within the available funding in the Spending Reserve. This year, at the request of CBFWA, the process included a 30-day public comment period.

The currently used process also employs a managerial level " BOG policy group." (Council/Bonneville/CBFWA). This group is called upon to help resolve decisions about how to categorize or treat budget adjustment requests that do not fit within the standard categories used by the BOG group. The group also is called upon to provide guidance to the BOG where there are emergency type and time sensitive requests that can't be dealt with in the common process schedule.

This within-year process was confirmed by the Council in association with its Fiscal Year 2006 funding recommendations in August 22, 2005.

The BOG is currently considering some adjustments to the process -- Committee input would be helpful

The Council, Bonneville and CBFWA staffs feel that most aspects of this process are working well. Transparency in handling the requests is improved. However, all involved believe that some adjustments to the current process would be an improvement. The BOG will be meeting on June 5th and will be discussing revisions to the existing process. The BOG participants will be considering the following topics. Therefore, any guidance that the Committee can provide could be taken into account as staff, along with Bonneville and CBFWA fine-tune the within-year process.

- Confirm the role of the BOG members and detail their role and responsibilities within their respective agencies (i.e. should the BOG flag policy issues? Should the BOG make recommendations in addition to categorizing requests?).
- Define the process and criteria used to resolve matters outside the capacity of the standard BOG process.
- Discuss a monetary threshold for contract management. To ensure efficient and timely project and budget management, and effective use of staff and Council agenda time, the BOG members will be discussing a proposal that staff have limited flexibility--up to a certain "threshold"-- to approve/deny sponsor requests for Within-Year budget adjustments. The notion is that there should be some relatively low monetary threshold that Bonneville may

manage within that does not require the full public comment and Council approval process. A full discussion of even those low-threshold projects would still take place at the BOG.

- Confirm decision points in association to the quarterly reviews (e.g., for the 1st, 2nd and 3rd quarter or the just the 1st and 2nd?). This needs to be link more clearly to the public comment period and decision points.

Preliminary Staff Recommendation (June 9, 2006): Staff recommends that the Committee: 1) acknowledge its general support for continuation of the within-year process, while recognizing that the BOG group is working on a few adjustments to that process; 2) provide comments to the staff on the bullet points above so that Council staff can incorporate any suggestions into the ongoing discussions of the BOG regarding process refinements; 3) that the Committee particularly focus on the proposed refinement that a monetary threshold be established that would allow some requests to be managed by Bonneville without the need for full public and Council involvement; and 4) direct staff to return to the Committee with a written description of how the within-year process approved by the Council in its FY 2006 funding recommendations is proposed to be adjusted and/or clarified.

I. Potential Programmatic Issues for Council Consideration in Future Iterations

The staff anticipates that the following programmatic issues will require some Council consideration and direction in the coming months. They are not critical at this point in the project selection process. However, the staff wants the Council and the public to see this list so that it may anticipate where the staff and Council will be going next.

- **Status and use of the Council's Research Plan in establishing research sequence and priorities**

- **Recognition and use of cost-sharing MOU between USDA Forest Service and the Bonneville Power Administration**

- **Process for annual review and renewal of recommendations in Fiscal Years 2008 and 2009.**

Each year the Council will conduct a process to review and confirm the annual budgets recommended here. As part of that process, the Council asks Bonneville to present a summary from contractor performance reports, the accomplishments of each project relative to the proposal that was recommended by the Council. The report should explain any variances in actual performance from what was proposed.

- **Integrate Step review with subbasin plans, and incorporate ISRP comments.**

- **Coordinated review of other direct funded programs**

The LSRCP program is not part of what is considered the traditional "direct program" funded by Bonneville. Historically, the program (U.S. Fish and Wildlife Service) received annual congressional appropriations, and Bonneville reimbursed the Treasury for those appropriations. This "reimbursable" program was not originally specifically subject to ISRP and Council review under the 1996 Gorton amendment to the Act. However, in 1998, the U.S. Congress' Senate-House conference report on the fiscal year 1999 Energy and Water Development Appropriations bill directed the Council to have the ISRP to annually review all fish and wildlife projects, programs, or measures included in federal agency budgets that are reimbursed by Bonneville using the same standards and criteria of the 1996 amendment, and to report to Congress on those reviews. The LSRCP is no longer a true "reimbursable" project, and as part of the FY 2007 - 2009 process we have not initiated a review of the program.

IV. Project Specific Issues

The staff anticipates that most project specific issues will start to emerge as the local groups and the ISRP complete their work in early to mid-June 2006. We include this section as a placeholder so that the Council and public can see the full framework of this rolling memorandum.

Basinwide Projects

Blue Mountain Province

Columbia Cascade Province

Columbia Gorge Province

Columbia Plateau Province

Lower Columbia Province

Estuary Province

Middle Snake Province

Mountain Columbia Province

A. Province-Wide Issues

1. Consideration of proposals that cannot reference an adopted Subbasin Plan

The Council received five project proposals from areas without subbasin plans in the Mountain Columbia Province. Three of the projects (one in the Bitterroot and two in the Clark Fork) are requests for funding for habitat work. The other two projects are proposals to develop a subbasin plan in the Blackfoot and Bitterroot respectively. Because the local review groups were asked to prioritize projects largely using subbasin plans, these projects obviously do not fit neatly into that process.

a. Projects to Develop Subbasin Plans in the Blackfoot and Bitterroot

The Council recognized during the subbasin planning process that subbasin plans were not being developed at the time in the Bitterroot and the Blackfoot for a variety of reasons. The Council also recognized at the time that plans would be developed for these subbasins in future proceedings (see Findings adopted in the Subbasin Plan Amendment Process).

Preliminary Staff Recommendation: The Montana Council members consistently expressed their desire that provision be made for developing additional subbasin plans in Montana in the future. The Council supported the State's desire to defer some subbasin planning development into the future. The following language was adopted by the Council in its September 2005 *Subbasin Plan Amendments Findings and Response to Comments*:

> *The decision to focus on two of the five Montana subbasins in this first subbasin planning exercise was made by the State of Montana and the tribal co-managers, largely because there is little to no history of Bonneville funding in the other basins. The Council deferred to this decision. The Council understands that Montana and the tribes intend to develop recommendations for the other subbasins in future program amendment proceedings.*

The staff recommends that the proposals that have been submitted to develop subbasin plans for the Blackfoot and Bitterroot Subbasins be reviewed in the FY 07-09 process on their merits. A statement of local support from those reviewing proposals in the Mountain Columbia would be ideal, but ultimately, this is a Council decision. If Montana acknowledges that developing these plans is a priority for the State, and if the Committee reiterates that filling out and completing the subbasin level provisions of its program is a goal, these projects should continue through the review process and should be considered candidates for Bonneville funding from the Mountain Columbia Province allocation. The Council and staff will want to coordinate closely with the sponsors to ensure that the subbasin plans are developed subject to the same standards as those already adopted by the Council.

b. Projects in Subbasins with No Subbasin Plans

The 2007-2009 project selection process is largely based on implementation of the adopted subbasin plans. There are a handful of subbasins in the region that have not yet developed subbasin plans for the Council's program. The Bitterroot and Clark Fork Subbasins in Montana are two of those subbasins. The Council should decide whether this automatically excludes the project proposals from these areas from funding during this process, or whether information like ISRP guidance, biological opinion or ESA requirements, or other pertinent information should be considered before making a funding decision.

Preliminary Staff Recommendation: While subbasin plan level provisions offer the most direct and pertinent program direction for evaluating and prioritizing proposals for subbasin-scale habitat work, there remains the broader program provisions as a standard -- the 2000 Program/2003 Mainstem Amendments have provisions that habitat work may be evaluated against. The question becomes whether or not these proposals are a priority within available Mountain Columbia budget. The absence of subbasin plans might makes it *harder* for project

sponsors to demonstrate they propose priority work when they are competing with projects that can link not *only* to the 2000 Program, but also the adopted detailed subbasin plan. While it may be difficult, it is not impossible and the staff does not recommend foreclosing that opportunity to these project sponsors. The staff recommends that if these projects emerge as prioritized within available budget (and subject to ISRP review and Council consideration) that they be candidates for funding.

Mountain Snake Province

Intermountain Province

Upper Snake Province

IV. [Placeholder for Council determinations/findings that address 4(h)(10)(D)]

How the Council fully considered the recommendations of the ISRP

How the Council implemented other requirements of the 1996 Amendment to the Northwest Power Act.

Cost effectiveness

Taking into consideration effects of ocean conditions

---

w:\po\ww\2007\0709rollmemo 060106.doc