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October 4, 2007

DECISION MEMORANDUM

TO: Council members
FROM: John Harrison, Information Officer

SUBJECT: Council decision to approve Sixth Annual Report to the Northwest Governors on Expenditures of the Bonneville Power Administration

PROPOSED ACTION: Review public comments on the annual spending report and approve for release with any additional edits as directed at this meeting.

BACKGROUND:

At its August 2007 meeting, the Council approved releasing the draft spending report for public comment. Subsequently, we received comments from Bonneville, the Columbia Basin Fish and Wildlife Authority (CBFWA), Northwest RiverPartners, and the NW Energy Coalition.

Bonneville and CBFWA responded to specific elements of the text and figures, and Bonneville also submitted a March 2006 letter to American Rivers explaining why forgone revenue (lost hydropower income) is included as an expense in the fish and wildlife budget. Northwest RiverPartners commented generally on the report and specifically on the issue of forgone revenue. The NW Energy Coalition commented only on the forgone revenue issue. If additional comments are received after the deadline for this packet they will be forwarded to you before the meeting.

At the August Council meeting Public Affairs Committee Chairman Larry Cassidy said the Committee had recommended that the full Council approve release of the draft report for public comment with one caveat. The caveat was that he had received a written request from a Committee member that the Council insert a footnote or a sentence in the text of the report stating a Council position that forgone revenue should not be treated as an expense in Bonneville's fish and wildlife budget. Chairman Cassidy said he would follow up on this matter with the rest of the Council by e-mail and that the written communication would be added to the comments received on the draft report.

None of the comments on the draft report responded to whether the Council should include the footnote or sentence about forgone revenue in the report. In its letter, Bonneville asserts that calculating forgone revenue is consistent with Section 4(h)(8)(D) of the Northwest

Power Act, which directs Bonneville's Administrator to allocate "monetary costs and electric power losses resulting from the implementation of the program ... consistent with individual project impacts and systemwide objectives of this subsection." The letter states: "Through the [Power] Act, Congress identified lost revenues from fish operations as a system cost and expressed an expectation that lost revenues would be tracked separately." In its comments, the NW Energy Coalition asserts that counting forgone revenue as a cost in the fish and wildlife budget amounts to "renting the river to fish" through "... a peculiar accounting that tallies up the cost of forgone revenues and power purchases at market rates but charges other users of the system -- preference utilities and DSIs -- on a cost, or wholesale, basis. This greatly exaggerates the cost of recovering fish. Specifically, it violates the intent of Section 4(h)(11)(A)(i) of the Regional Power Act. That section requires that BPA provide "equitable treatment" of fish with the other purposes of the system." Northwest RiverPartners commented that forgone revenues "... are very legitimate costs and need to be included in accounting for the region's investment in fish and wildlife. To help illustrate, the dams were built to, among other things, generate power. BPA sells this power to create revenues that pay off all the agency's costs, including fish and wildlife costs. In this way, any decision to generate less power decreases BPA's revenues, which in turn reduces BPA's ability to fund programs, including the fish and wildlife program."

Comment:

To summarize, the Council asked for comments on the draft annual report and not specifically on the written communication summarized by Chairman Cassidy or whether it should be included in the final report. Subsequently during the comment period the Council received statements about whether Bonneville should include forgone revenue as an expense within its fish and wildlife budget.

Staff recommendation:

As Public Affairs Committee Chairman Cassidy said at the August meeting, the debate over forgone revenue is not new. Every year the Council has produced the spending report we have received comments that forgone revenue is a justifiable fish and wildlife expense and also that it is not. The Council has not adopted a position on the matter but would do so by including the proposed position statement as a sentence or footnote in the report, as opposed to including the committee member's written communication (request for a position statement in the report) as a comment on the report.

The spending report is not intended to either endorse or oppose any of Bonneville's fish and wildlife budgeting policies or practices but only to report expenditures as Bonneville presents them. Because the proposed statement expresses an opinion about a Bonneville policy, and because the Council has not had an opportunity to discuss or debate a position on that policy, staff recommends not including the proposed position statement as a sentence or footnote in this year's report. If the Council chooses to discuss and debate the matter, the upcoming program amendment process could be the appropriate forum and a position statement could be included in the 2008 spending report.

Other comments on the draft 2007 report are reflected in the revision-marked text below with staff recommendations following:

Comments of CBFWA:

On Page 1:

Comment:

Include a reference to CBFWA's annual report, "Status of Fish and Wildlife Resources in the Columbia River Basin" because the two reports address much of the same information from different perspectives and complement each other.

Recommendation:

Accept.

Comment:

Add references in the text (pages 1-5) to the figures (pages 6-16).

Recommendation:

Accept.

On Page 2:

Comment:

Note in the bulleted section on power purchases, which at \$2.9 billion is the largest of the spending categories, that \$1.38 billion of the total was spent in the drought and energy-crisis year of 2001.

Recommendation:

Accept. This would help give perspective to this otherwise very large number.

Comment:

Numbers in the Council's report and those in the Status of the Resources report differ in some areas, probably as the result of having requested information from Bonneville at different times. A single source of data is needed so that numbers are reported consistently. The Basin Oversight Group should be given the task of creating a master data table with quality control so that the Council's report, the Status of the Resources report, and other reports all would use the same data source.

Recommendation:

Accept. This comment goes to the preparation of next year's report. A single source of data is needed. Differences between the Council's and CBFWA's reports probably are due to having asked Bonneville for data at different times, as well as in different ways. You will see below Bonneville's request for a footnote for one of the figures explaining that Bonneville periodically shifts dollar amounts between spending categories. Having a single source of data -- the BOG, for example -- managed for quality control would be a big help in preparing both annual reports.

On Page 8:

Comment:

Add a map of the ecological provinces with Figure 4, *Expenditures by Province*.

Recommendation:

Accept.

Comment:

Don't try to report expenditures by contractor. Money often is received by a managing entity and spent by another, the receiving entities sometimes are listed under more than one name

and so totals might not be accurate, and other names are listed only as acronyms or are only partially listed. In short, it's just too complex to sort expenditures in this way.

Recommendation:

Leave Figure 5A and its corresponding tables (5A and 5B) as they are in this year's report. Bonneville is aware of these problems and is working to improve its data reporting through PISCES. The current problems may be solved by the time the Council's next report is prepared.

On Page 9:

Comment:

Add a line to the figure at 5 million to show that the goal of the program for adult salmon and steelhead crossing the dam is 5 million fish per year by 2025 (2000 Program, Page 17).

Recommendation:

Accept.

Comment:

Include in Figure 5 the estimated number of salmon and steelhead entering the Columbia River.

Recommendation:

The Council has asked for the estimate every year since 2002, when it last was provided. The Oregon and Washington fish and wildlife departments no longer calculate this total.

On Pages 6-16:

Comment:

Add source information to all figures.

Recommendation:

Accept.

Comments of the Bonneville Power Administration (in revision marks in this typeface):

On Page 1:

Proposed revision:

In Fiscal Year 2006, the Bonneville Power Administration **incurred costs totaling** \$851.7 million to mitigate the impacts of hydropower dams on fish and wildlife of the Columbia River Basin.

Deleted: spent

Recommendation: Accept

Proposed revision:

The Council thanks the Bonneville Power Administration for providing information about the agency's fish and wildlife expenditures for this report.

Deleted: David Thatcher of

Recommendation: Accept, but reluctantly. Mr. Thatcher was exceptionally helpful and was the primary contact for the information in this report, but it is true that others at Bonneville also provided assistance.

On Page 2:

Proposed revision:

The Act also directs the Administrator of the Bonneville Power Administration, the federal agency that sells electricity generated at federal dams in the Columbia River Basin, to use

the Bonneville fund in a manner consistent with the Council's program to protect, mitigate and enhance fish and wildlife affected by **federal dams** in the Columbia River Basin.

Deleted: hydropower

Recommendation: Reject, as the Power Act refers to "any hydroelectric project on the Columbia River and its tributaries" (Section 4(h)(10)(A)) and "federal or non-federal hydroelectric projects" (Section 4(h)(11)(A)).

Proposed revision to footnote text:

Habitat acquisitions **and easements for wildlife** are credited against identified habitat losses attributable to the construction **and inundation** of hydropower dams. The crediting unit is called a "Habitat Unit," which is a measure of both the quantity and quality of the acquired site and, thus, its suitability for targeted species. **Habitat acquisitions and easements for resident fish in Montana are credited instream to mitigate losses attributable to the construction and inundation by Libby and Hungry Horse dams.**

Recommendation:

Accept.

On Page 3:

Proposed revision:

The Council also requests NOAA Fisheries and the U.S. Fish and Wildlife Service to provide input on projects required to meet the agencies' Endangered Species Act obligations for threatened and endangered fish species. **Bonneville then makes its implementation funding decisions consistent with Council recommendations.**

Recommendation: Reject. Not all of Bonneville's funding recommendations are consistent with Council recommendations.

Deleted: Accept

On Page 4:

Comment:

Add the following footnote: Wildlife expenditures are treated differently than expenditures for anadromous fish and resident fish. Wildlife projects address habitat losses that have been calculated, by species, for each federal dam (or groups of dams within tributary subbasins). The identified losses only address the impacts of dam construction; losses attributable to dam operations have not been quantified. The Council, Bonneville, and the region's wildlife managers developed a system of crediting habitat acquisitions against the losses.

Recommendation: Accept.

On page 7:

Comment:

Add footnote under Figure 3, *BPA Direct-Program Expenditures by Category, 2006*: Many projects incorporate one or more of the categories shown here. This breakout attempts to identify project expenditures in a single category based on the primary focus of the project.

Recommendation: Accept.

On Page 13:

Comment:

In Figure 10, *Wildlife Habitat Units: Lost & Acquired, by Dam*, delete the references to individual Willamette projects because the Council and Bonneville have not agreed on loss

assessments. Instead, rerun the figure from last year's report that showed the estimated lost habitat units for the Willamette projects collectively.

Recommendation: Accept.

On Page 15:

Comment:

In Figure 12, *Properties Purchased by BPA for Wildlife Purposes by Province 1978-2005*, add a component to the pie chart that shows the total number of acres inundated by reservoirs behind dams.

Recommendation: Reject and consider adding to next year's report.

On Page 16:

Comment:

Regarding the figures on the abundance of ESA-listed salmon and steelhead in the Columbia River Basin through 2005, consider adding information about how much of the program spending is dedicated to these populations.

Recommendation:

Reject. NOAA Fisheries was unable to provide updated abundance data for this report. Consider adding population-specific spending amounts in next year's report if that information is available.