

Bill Bradbury
Chair
Oregon

Henry Lorenzen
Oregon

W. Bill Booth
Idaho

James A. Yost
Idaho



Northwest Power and Conservation Council

Jennifer Anders
Vice Chair
Montana

Pat Smith
Montana

Tom Karier
Washington

Phil Rockefeller
Washington

July 1, 2014

MEMORANDUM

TO: Council members

FROM: Tony Grover

SUBJECT: Presentation on BPA's FY 2015 start of year budget and definition of capital funding needs in the future.

Bonneville Power Administration's (BPA) *Vice-President of Environment, Fish and Wildlife*, Lorraine Bodi; *Director of Fish and Wildlife*, Bill Maslen; and *Manager of Fish and Wildlife Program Business Operations*, Bryan Mercier, will present on the FY15 capital and expense budgets of the Fish and Wildlife Program. They will also provide an overview of how BPA establishes its budgets for the Fish and Wildlife program through the Capital Investment Review and Integrated Program Review prior to its biennial Rate Case. The presentation will include historical information and current forecasts for the FY16-17 rate period.

For more information on BPA's Financial Public Processes, please visit:
<http://www.bpa.gov/Finance/FinancialPublicProcesses/Pages/default.aspx>

w:\tg\ww\july2014bpabudget_atcouncil.docx

BPA Finances and the Fish & Wildlife Program

July 9, 2014

Lorraine Bodi, Vice President of Environment, Fish and Wildlife

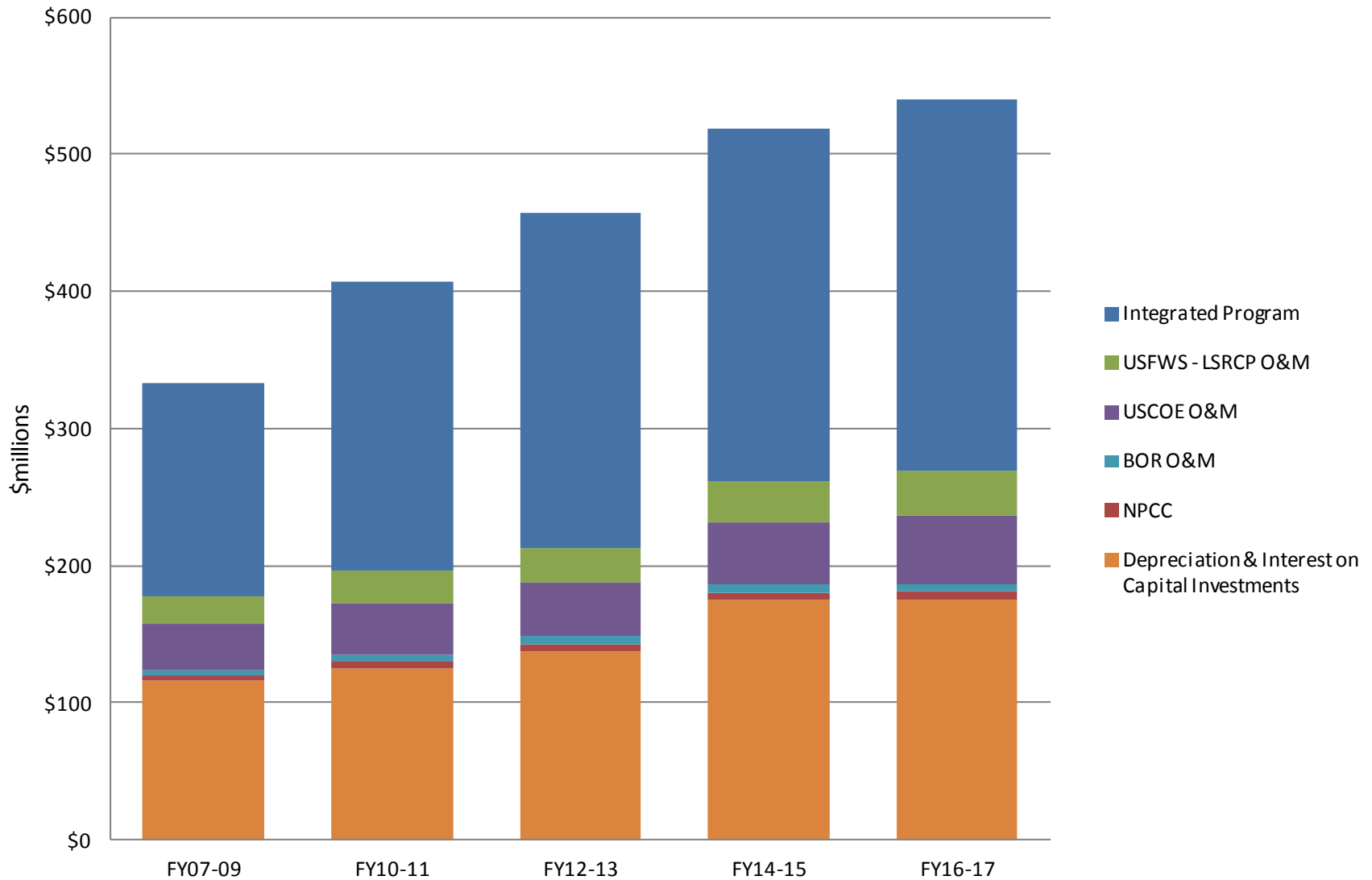
Bill Maslen, Director of Fish and Wildlife

Bryan Mercier, Manager of Business Operations

Financial Components of BPA's F&W Program

- **Integrated program** –The Fish and Wildlife Program funds several hundred mitigation projects annually to meet both BPA's Northwest Power Act and ESA obligations.
- **Fish-related O&M** (“reimbursable expenses”) – The hydroelectric share of O&M and other non-capital expenditures for fish and wildlife activities by the Corps and Reclamation (i.e., O&M of fish facilities at the federal mainstem dams and Corps/Reclamation mitigation hatcheries), and U.S. Fish & Wildlife Service (for hatcheries under the Lower Snake River Compensation Plan – 11 hatcheries and 18 satellite facilities).
- **Debt service** – The projected amortization, depreciation and interest payments for investments directly funded through BPA borrowing, as well as capital investments by the Corps and Reclamation funded by the U.S. Treasury and reimbursed by BPA.
- **Magnitude** – To our knowledge, this represents the largest ecosystem improvement program in the Nation.

Average annual cost per Rate Period (excludes FCRPS Operations)



Financial Public Processes

1. Capital Investment Review (CIR)

- Occurs every 2 years prior to IPR
- Opportunity to review and comment on BPA's Asset Strategies and 10-year capital forecasts
- 6-8 week duration

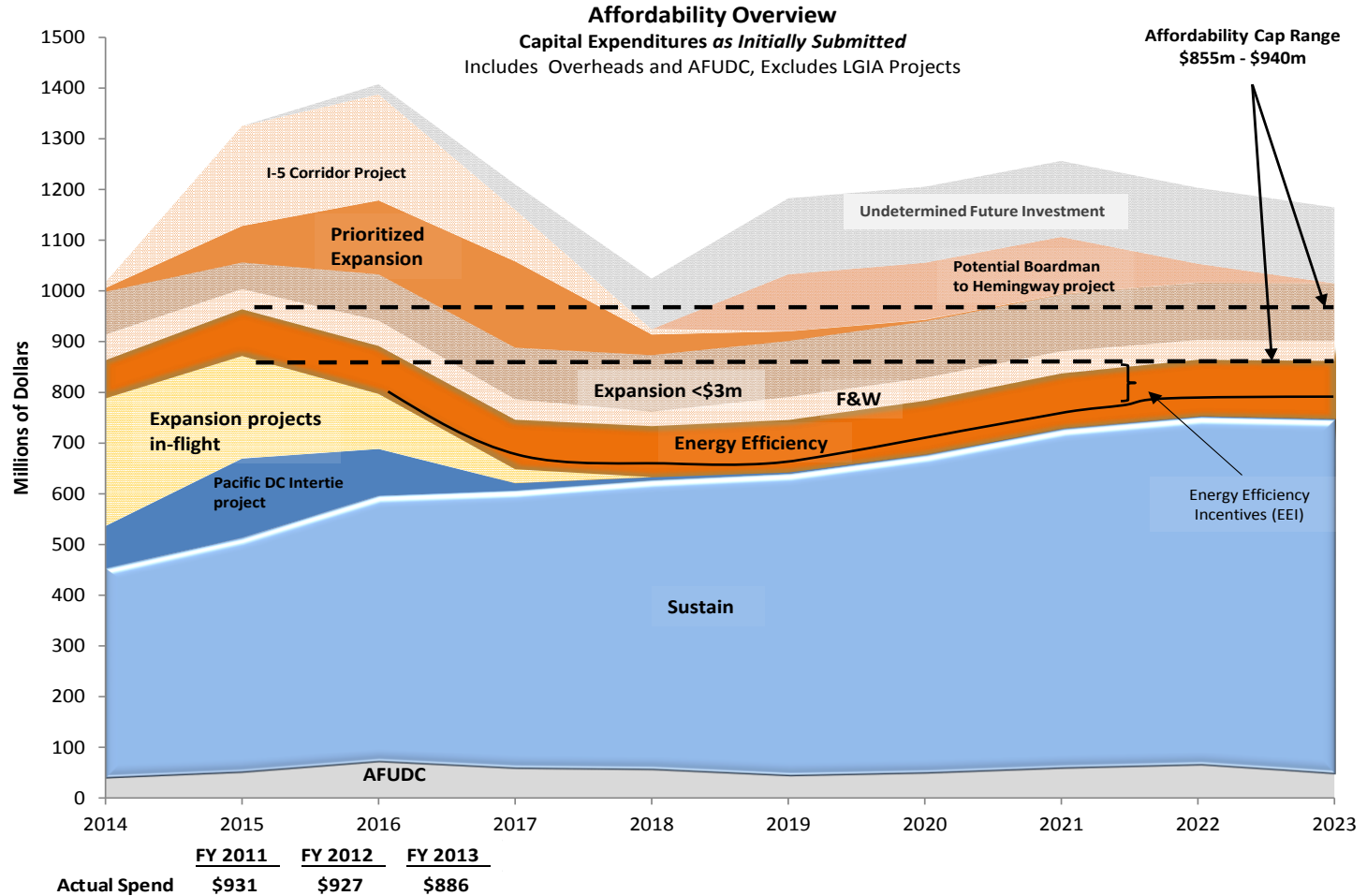
2. Integrated Program Review (IPR)

- Occurs every 2 years prior to rate case
- Opportunity to review and comment on BPA's program level estimates
- 6-8 week duration

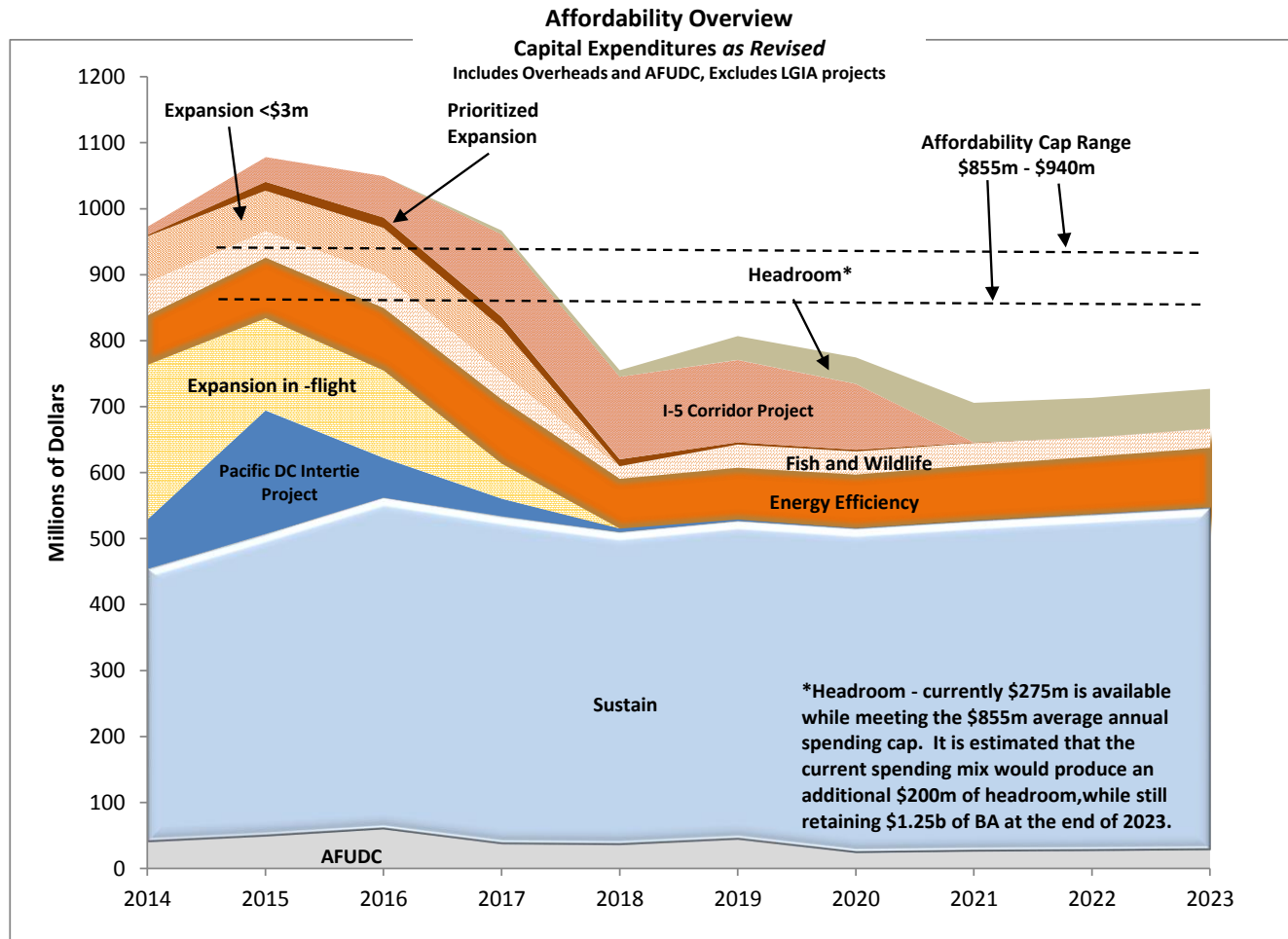
3. Rate Case (BP-16)

- BPA is a self-financed Federal agency. BPA pays its expenses from revenues it receives from the sale of power and transmission services to eligible customers.
- BPA establishes rates to be charged for power and transmission services in a rate proceeding, a formal evidentiary hearing process. BPA's rates must be set so that BPA will be able to recover its total costs, including obligations to repay its debt to the Federal Treasury. BPA ultimately files its rates proposal with the Federal Energy Regulatory Commission for confirmation and approval

BPA Capital and Debt Management Challenge



Capital Investment Review proposal



Fish & Wildlife Capital

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Hatchery	\$20,126,058	\$28,749,165	\$33,144,230	\$7,284,943	\$0	\$8,996,722	\$8,997,441	\$7,331,502	\$2,541,765	\$2,542,084
Land	\$22,270,930	\$16,455,000	\$15,060,000	\$15,270,125	\$12,042,989	\$19,206,266	\$19,432,547	\$19,664,486	\$19,902,223	\$20,145,904
Passage	\$7,603,012	\$6,603,012	\$6,603,012	\$8,239,461	\$6,603,012	\$6,603,012	\$6,603,012	\$6,603,012	\$6,603,012	\$6,603,012
TOTAL	\$50,000,000	\$51,807,177	\$54,807,242	\$30,794,529	\$18,646,000	\$34,806,000	\$35,033,000	\$33,599,000	\$29,047,000	\$29,291,000

- The Program capitalizes three (3) asset categories:
 1. Hatchery: Hatchery programs that result in increased juvenile and adult returns to meet BPA's mitigation responsibilities
 2. Land: Land acquisitions for specific wildlife credit to mitigate for the flooding and inundation by the FCRPS.
 3. Passage: Tributary passage improvements aid in the survival and extend the habitat reach in rivers and streams for both anadromous and resident species.
- The Fish and Wildlife Program capital budgets must be based on specific assets and satisfaction of measurable commitments. Additionally, capital assets must have an estimated life of greater than 15 years and a cost of at least \$1M.

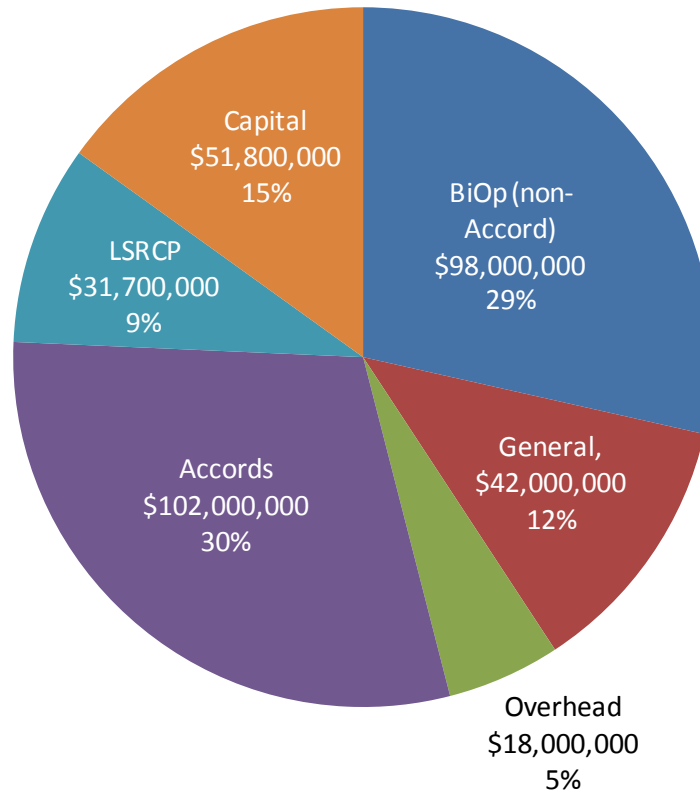
Fish & Wildlife and LSRCP - Expense

(\$ Thousands)	2013 Actuals	2014 Rate Case	2015 Rate Case	2016 IPR	2017 IPR
Fish & Wildlife	\$238,984	\$254,000	\$260,000	\$267,000	\$274,000
Lower Snake Hatcheries	\$28,700	\$30,670	\$31,670	\$32,303	\$32,949
Total	\$267,684	\$284,670	\$291,670	\$299,303	\$306,949

- BPA implements over 800 contracts annually with state, federal, and tribal entities. These contracts implement projects that meet BPA's objectives in the following categories: tributary and estuary habitat improvement, hatcheries, harvest, research, monitoring and evaluation, and predator control.
- The Fish and Wildlife Program (Program) is carried out in partnership with the Northwest Power and Conservation Council (Council) and addresses Power Act and ESA mitigation objectives.
- The Fish and Wildlife Program expense budget also ensures the agency's environmental and cultural resource compliance for Program activities, through analysis and documentation consistent with the requirements of the National Environmental Policy Act (NEPA) and the National Historic Preservation Act (NHPA).

FY15 Start of Year

Projected Spending - \$343.5M

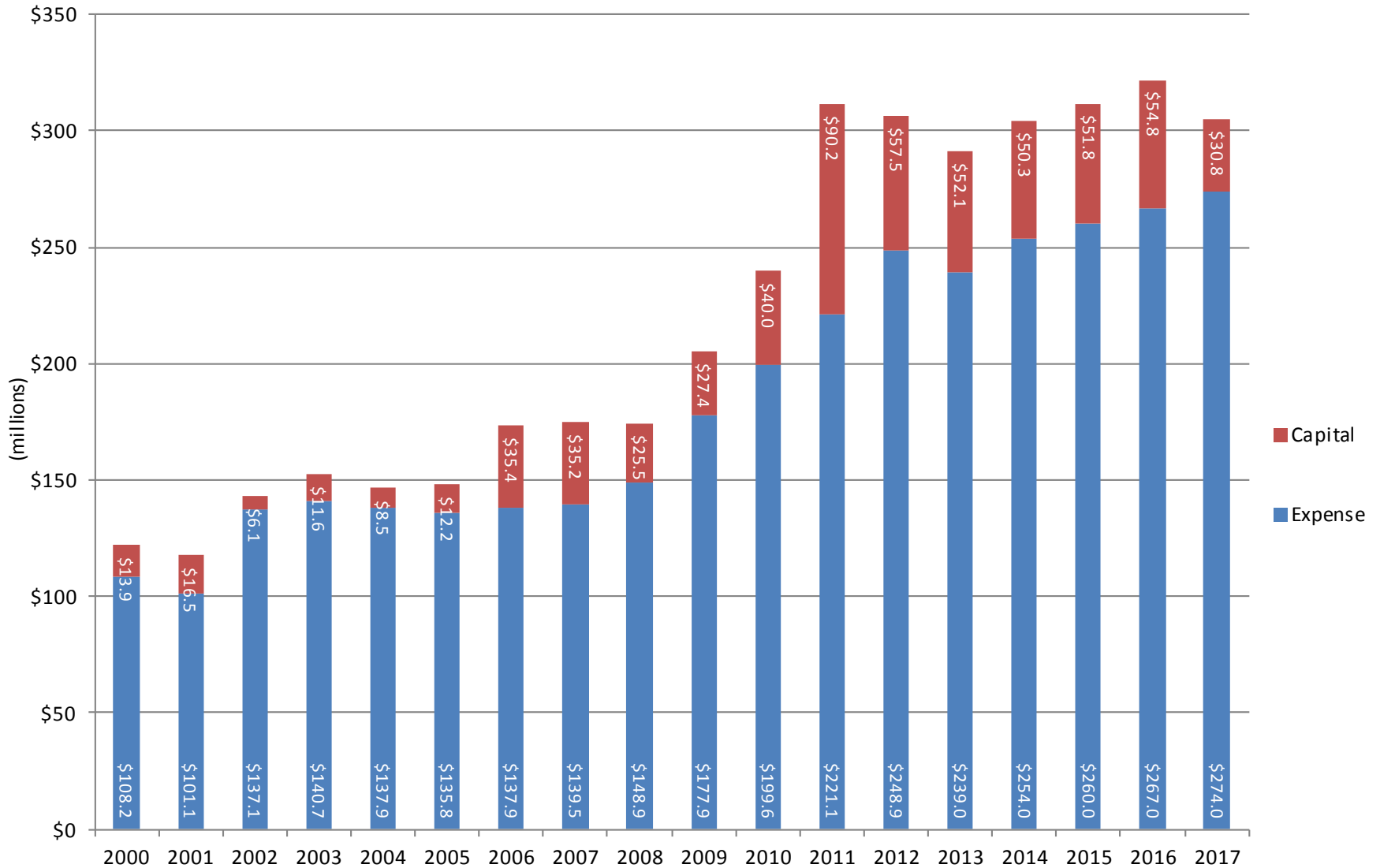


Key multi-year components:

- Biological Opinion requirements (salmon, white sturgeon, bull trout)
- Columbia Basin Fish Accords (seven Tribes and three States)
- Wildlife Settlements
- LSRCP hatcheries

Expenditures of Integrated Program

(excludes LSRCP)



Fish and Wildlife Budget Management

- Budget management tools maximize use of available funds (i.e., budget at \$300M to spend \$260M)
- BiOp(s), settlements, and other commitments are prioritized.
- RME reforms should lead to cost savings through a reduction of RME spending as a percentage of the Program going forward.
- Future opportunity for solicitation of proposals for new work as funds become available through prioritization and closeout of previous projects.

What Have We Accomplished?

Hydro

- Federal dams have been extensively overhauled to improve passage of juvenile and adult salmon, steelhead and lamprey. Using surface passage (shallow spill), they are now on track to meet ambitious performance standards of 93 to 96 percent juvenile fish survival, perhaps the best passage ever observed in the nation.
 - About 75 to 99 percent of juvenile fish now pass dams through the highest survival routes, avoiding turbines.
 - Fish travel times have also been significantly improved by surface passage, similar to when there were fewer dams or no dams.
 - Juvenile and adult salmon and steelhead survival in the Columbia River system now approximates the survival rates measured in some undammed river systems.

Habitat

- BPA has protected and restored hundreds of thousands of acres of fish and wildlife habitat throughout the Columbia River Basin to offset the impacts of federal dams. Studies show this landscape-level habitat work is making a difference.
- In addition, since 2008 BPA and its partners have
 - reopened or improved access to about 2500 miles of river and stream habitat, more than twice the length of the entire Columbia River.
 - restored more than 254,125 acre-feet of water to rivers and streams, some of which formerly ran dry when fish needed them most -- enough water to meet the annual needs of a city the size of Seattle.

Hatcheries

- Through scientifically managed hatchery programs, BPA provides funding to states and tribes to reintroduce salmon to areas where they had disappeared, including spring chinook in the Umatilla, Okanogan and Walla Walla subbasins, coho in the Umatilla and middle and upper Columbia and sockeye in the Snake River system.