



## Department of Energy

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

ENVIRONMENT, FISH AND WILDLIFE

August 24, 2006

In reply refer to: KEW-4

Ms. Rhonda Whiting, Chair  
Fish and Wildlife Committee  
Northwest Power and Conservation Council  
851 S.W. Sixth Avenue, Suite 1100  
Portland, OR 97204-1348

Dear Ms. Whiting:

In March, Bonneville Power Administration (BPA) communicated its initial Capital/Expense determination for FY07-09 proposals that appeared to potential qualify for capitalization. We also indicated that we would develop documentation on our capitalization criteria so that our capital spending decisions would be more transparent, consistent, and predictable for Program participants. As we presented to the Northwest Power and Conservation Council (Council) in August, we have been working toward this objective by refining our application of the capital policy to establish a basis for consistent reviews of fish-passage projects. With this letter, therefore, we are pleased to provide you with our *Fish and Wildlife Capital Project Clarification*. We also conducted a secondary proposal review based on this clarification and have attached the results.

As we mentioned in our previous transmittal, this is not a final determination. Rather, this secondary determination reflects further evaluation of information available in project proposals in context of the clarification of our capital policy, attached. Further, it is based on project proposals that are not fully developed for contracting, and thus contains some uncertainties. To make final capital determinations at the time of contracting we must confirm that recommended projects meet the \$1 million threshold and other capital policy requirements.<sup>1</sup>

If you have any comments or questions about the clarification or would like BPA to review any specific projects not previously identified as needing a capital/expense review, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "William C. Maslen".

William C. Maslen  
Director of Fish and Wildlife  
2 Enclosures

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<sup>1</sup> For more information, see BPA's capital policy at:  
[http://www.efw.bpa.gov/Integrated\\_Fish\\_and\\_Wildlife\\_Program/FW%20Capitalization%20Policy%2011-4-04.pdf](http://www.efw.bpa.gov/Integrated_Fish_and_Wildlife_Program/FW%20Capitalization%20Policy%2011-4-04.pdf)

cc:

Ms. Judi Danielson, Northwest Power & Conservation Council  
Mr. Jim Kempton, Northwest Power & Conservation Council  
Ms. Joan Dukes, Northwest Power & Conservation Council  
Mr. Bruce Measure, Northwest Power & Conservation Council  
Dr. Tom Karier, Northwest Power & Conservation Council  
Mr. Larry Cassidy, Northwest Power & Conservation Council  
Ms. Melinda Eden, Northwest Power & Conservation Council  
Mr. Doug Marker, Northwest Power & Conservation Council  
Mr. Brian Lipscomb, Columbia Basin Fish & Wildlife Authority  
Ms. Mary Verner, Upper Columbia United Tribes  
Mr. Olney Patt, Jr., Columbia River Intertribal Fish Commission

bcc:

S. McNary – DK-7

K. Hunt – DKR-7

G. Cobell – KE-4

G. Delwiche – KE-4

J. Stier – KE-4

R. Austin – KEW-4

G. Dondlinger – KEWB-4

P. Lofy – KEWL-4

P. Krueger – KEWR-4

A. L'Heureux – KEWR-4

K. Powers – KEWR-4

M. Shaw – KEWU-4

L. Grimm – LC-7

P. Key – LC-7

Official File - EX-15-18

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Proposal Number	Title	Sponsor	ARCProvince	ARCSubbasin	ARCType	ARG Preliminary Capital Expense Determination	Secondary BPA Capital/Expense Determination (Subject to final review)	Primary Uncertainty for Capitalization
198805301	Grande Ronde/Imnaha Endemic Spring Chinook Supplementation – Northeast Oregon Hatchery	Nez Perce Tribe	Blue Mountain	Grande Ronde	Anadromous	Both	Capitalize land acquisition and construction	
199004401	Lake Creek Land Acquisition	Coeur D'Alene Tribe	Intermountain	Coeur d'Alene	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements
199106200	Spokane Tribe Wildlife Mitigation	Spokane Tribe	Intermountain	Spokane	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements
199206100	Albeni Falls Wildlife Mitigation	Albeni Falls Interagency Work Group	Intermountain	Pend Oreille	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements
199206800	Willamette Basin Mitigation	Oregon Department of Fish & Wildlife (ODFW)	Lower Columbia	Willamette	Wildlife	Both	Capitalize land acquisition and permanent easements	Land acquisition requirements
199306600	Oregon Fish Screens Project	Oregon Department of Fish & Wildlife (ODFW)	Columbia Plateau	John Day	Anadromous	Capital	Capitalize construction	None
199401500	Idaho Fish Screening and Passage Improvements	Idaho Department of Fish & Game	Mountain Snake	Salmon	Anadromous	Capital	Capitalize construction	None
199505702	Southern Idaho Wildlife Mitigation	Shoshone-Bannock Tribes	Upper Snake	Snake Upper	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements
199505703	Southern Idaho Wildlife Mitigation	Shoshone Paiute Tribes	Middle Snake	Owyhee	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements
199601100	Walla Walla Juvenile and Adult Passage Improvements	Confederated Tribes of the Umatilla Indian Reservation	Columbia Plateau	Walla Walla	Anadromous	Both	Capitalize construction	None
199604000	Mid-Columbia Coho Restoration Project	Yakama Confederated Tribes	Columbia Cascade	Wenatchee	Anadromous	Both	Expense until completion of Step 3	None
199604200	Restore and Enhance Anadromous Fish Populations and Habitat in Salmon Creek	Colville Confederated Tribes	Columbia Cascade	Okanogan	Anadromous	Both	Expense - not capital work	None
199801700	North Fork/Mid-John Day Fish Passage Improvement	Monument & Wheeler SWCDs	Columbia Plateau	John Day	Anadromous	Both	Capitalize construction	None
199801800	John Day Watershed Restoration	Confederated Tribes of Warm Springs Reservation of Oregon	Columbia Plateau	John Day	Anadromous	Capital	Capitalize construction	None

199802100	Hood River Fish Habitat	Confederated Tribes of Warm Springs Reservation of Oregon	Columbia Gorge	Hood	Anadromous	Capital	Capitalize construction	Capital costs > \$1M
199901900	Restore Salmon River (Challis, Idaho)	Custer County Soil & Water Conservation District (SWCD)	Mountain Snake	Salmon	Anadromous	Both	Expense -land acquisition not capital anadromous fish	None
200103300	Hangman Restoration Project	Coeur D'Alene Tribe	Intermountain	Spokane	Resident	Both	Expense -No resident fish crediting to meet requirements	None
200200300	Secure & Restore Resident Fish Habitat	Salish & Kootenai Confederated Tribes	Mountain Columbia	Flathead	Resident	Both	Capitalize acquisition and permanent easement	Land acquisition requirements
200202501	Yakima Tributary Access & Habitat Program	South Central Washington Resource Conservation and Development	Columbia Plateau	Yakima	Anadromous	Both	Capitalize construction	None
200204500	Coeur D'Alene Fish Habitat Acq	Coeur D'Alene Tribe	Intermountain	Coeur d'Alene	Resident	Both	Expense -No resident fish crediting to meet requirements	none
200300100	Manastash Crk Passage & Screening	Kittitas County Conservation District	Columbia Plateau	Yakima	Anadromous	Both	Capitalize construction (good functionally interdependent example)	parts appear functionally interdependent
200302300	Chief Joseph Hatchery Program	Colville Confederated Tribes	Columbia Cascade	Okanogan	Anadromous	Both	Capitalize land acquisition and construction	
200600100	Mcintyre Dam Feasibility Study	Colville Confederated Tribes	Columbia Cascade	Okanogan	Anadromous	Both	Expense - Planning costs<\$1M, Construction costs could be capitalized if >\$1M	Capital costs > \$1M
200702700	Colville Confederated Tribes Acquisition Project	Colville Confederated Tribes	Intermountain	Columbia Upper	Wildlife	Both	Capitalize land acquisition - medium certainty	Land acquisition requirements
200705700	Potlatch River Basin Conservation Easement	Potlatch Corporation	Mountain Snake	Clearwater	Anadromous	Both	Expense -No anadromous fish crediting to meet requirements	None
200707000	Fish Passage Facility Final Design and Construction - Clear Lake Dam (NF Tieton R.).	Washington Department of Fish and Wildlife (WDFW)	Columbia Plateau	Yakima	Resident	Capital	Capitalize construction - low certainty (FS/BPA MOU)	FCRPS responsibility

200708400	Shrubsteppe Habitat Acquisition for Terrestrial Species in Need of Conservation in the Upper Mid-Columbia Subbasin.	Washington Department of Fish and Wildlife (WDFW)	Columbia Cascade	Columbia Upper Middle	Wildlife	Both	Capitalize land acquisition - medium certainty	Land acquisition requirements
200708500	UPA Nason Creek Oxbow Reconnection Project	Chelan County Natural Resources Department	Columbia Cascade	Wenatchee	Anadromous	Both	Expense - not construction	None
200715300	Cardwell Hills Wildlife Mitigation and regional Biodiversity Protection Project	David Evans and Associates, Inc.	Lower Columbia	Willamette	Wildlife	Both	Capitalize land acquisition - medium certainty	Land acquisition requirements
200717000	South Fork Snake River Yellowstone cutthroat trout recruitment and survival improvement	Idaho Department of Fish & Game	Upper Snake	Snake Headwaters	Resident	Both	Capitalize construction	None
200721200	Develop a locally-adapted summer steelhead program to supplement natural production throughout the Okanogan River basin	Colville Confederated Tribes	Columbia Cascade	Okanogan	Anadromous	Both	Capitalize hatchery upgrade	\$1Million Threshold
200723200	Okanogan-Similkameen Habitat Protection Project - Fish and wildlife habitat protection through fee simple and conservation easement purchases.	Washington Department of Fish and Wildlife (WDFW)	Columbia Cascade	Okanogan	Wildlife	Both	Capitalize land acquisition	Functionally interdependent
200726000	Acquisition of a Conservation Easement over 1084 acres of Upland Prairie and Oak Habitat, Willamette Subbasin	Nature Conservancy	Lower Columbia	Willamette	Wildlife	Both	Capitalize permanent easement	Land acquisition requirements
200726800	Idaho Watershed Habitat Restoration Project via Custer Soil and Water Conservation District	Custer County Soil & Water Conservation District (SWCD)	Mountain Snake	Salmon	Anadromous	Both	Capitalize construction	Capital costs > \$1M
200727100	Willamette Basin Capitalized Wildlife Land Acquisitions	The Confederated Tribes of Grand Ronde	Lower Columbia	Willamette	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements
200727600	Idaho Department of Fish and Game Rearing Expansion for Snake River Sockeye Salmon	Idaho Department of Fish & Game	Mountain Snake	Salmon	Anadromous	Both	Capitalize hatchery purchase and remodel	None
200731600	McKenzie Canyon Irrigation Project	Deschutes River Conservancy	Columbia Plateau	Deschutes	Anadromous	Both	Capitalize pipeline installation	None

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## Fish & Wildlife Capital Project Clarification August 18, 2006

The purpose of this document is to add clarity to the BPA capital policy for fish and wildlife assets: [Fish and Wildlife Capitalization Policy](#) document dated 8/3/05.

As stated in the Capitalization Policy, actions may be considered Capital if **all** of the following primary criteria are met:

- 1) BPA share of project costs must exceed \$1M (*excluding all conceptual and preliminary costs for projects that go through the Council's 3-Step Review*).
- 2) The capital construction must have an estimated useful life of 15 years or longer.
- 3) Provides a measurable future benefit, defined as fulfilling a legal obligation of the FCRPS.

Similar to previous BPA Rate Periods, the five types of capital projects as defined by the FY07 - FY09 Rate Case are as follows:

- 1) **Tributary passage** -- Construction that enhances fish passage within a Council defined sub-basin. Functionally interdependent passage actions could include the following: wells, ladders, screens, pumps, culverts, diversion (irrigation) consolidation and actions that will increase instream flow such as irrigation efficiencies (piping, drip irrigation, and lining of ditches for seepage reduction).
- 2) **Gas abatement** -- Construction that reduces or eliminates the super-saturation of gaseous nitrogen in water beneath the dam spillways.
- 3) **Hatchery facility construction** -- Construction of fish hatcheries, including related satellite facilities (acclimation ponds).
- 4) **Mainstem passage** -- Construction that benefits fish passage in the mainstem of the Columbia River or Snake River. Capital actions may include: ladders, removable spillway weirs, collection facilities, PIT tag facilities, etc.
- 5) **Land acquisition** -- Land acquisitions that protect, enhance, and maintain instream wetland and riparian habitat that provide quantifiable mitigation units: a) habitat units (HU's) for wildlife and b) instream miles for resident fish to fulfill the defined, quantified, legal obligation of FCRPS. Land acquisitions must be executed within a single fiscal year to improve the likelihood of meeting the \$1 million threshold.

### Additional Capital Project Information

The following additional information must be provided to adequately describe work and provide reasonable certainty that functionally interdependent actions in the sub-basin will meet the \$1 million threshold:

- **Scope** – A description of capital work broken down by location and cost (or locations and costs in the case of multiple construction sites).
- **Start / End dates** – The expected timeframe for the capital construction work (within a three fiscal year period for tributary passage).
- **Budget** – A budget for capital construction by fiscal year and total capital cost for the entire scope of capital work, excluding the cost of inflation.
- **Project Lead** - A single entity will be designated in the proposal as the project lead if there are collaborative efforts from multiple entities. Multiple contracts and contractors for the full project scope are acceptable, but there must be one designated lead for the activities to be capitalized.

### **Capitalization Process**

- To ensure the efficient application of BPA capital funding, the NW Power and Conservation Council will recommend project proposals with potential capital construction components that comply with BPA Capitalization policy. Project proposals with construction at multiple locations must be:
  - *Classified* -- Submitted as one of the five types of capital actions described above (Tributary passage, Gas abatement, Hatchery facility construction, Mainstem passage, Land acquisition).
  - *Listed* – Capital construction by location.
  - *Costed* – Listing of the annual capital cost of the construction during the fiscal year as well as the total capital cost. If construction is at multiple locations, a listing of the capital cost by each location; broken down by fiscal year capital costs and the total capital cost.
- When a proposed project contains elements of both capital and expense funding, contracting must result in separate contracts: One contract for capital costs, and a second contract for expense costs.
- If a capital project does not continue to meet capitalization criteria during its implementation, the accumulated project costs will be **expensed in the fiscal year** that the failure to meet capitalization criteria is determined by BPA.
- The appropriate BPA Fish and Wildlife Manager shall provide the technical review and the BPA accounting liaison assigned to F&W shall provide the financial review before BPA will approve the project. BPA will document these capital project designations.

The following tasks associated with capital projects must be expensed:

- Preliminary costs related to construction (*Step 1 and Step 2\**)
- Operations and Maintenance
- Monitoring and Evaluation
- Habitat Maintenance or Enhancement. An exception to this rule is in the case of restoration or stabilization of the property to the state equal to that of the pre-construction disturbance. Examples of these types of capital actions include vegetation restoration and land re-contouring.
- Preliminary planning such as investigations or surveys.

**NOTE:** \* *Step 1 and Step 2 refers to the Northwest Power and Conservation Council defined 3-Step Review Process related to the construction of major actions.*