



June 3, 2003

Judi Danielson, Chair
Northwest Power Planning Council
450 West State
Boise, ID 83720-0062

Therese Lamb, Acting VP - EFW
Bonneville Power Administration
905 NE 11th Ave.
Portland, OR 97208-3621

Dear Ms. Danielson and Ms. Lamb:

We wish to express our concern over the recent changes in Bonneville's project funding process that have severely impacted the implementation of the Northwest Power and Conservation Council's (Council) Fish and Wildlife Program. We believe that the resulting uncertainty over project funding caused confusion about project budgets, delayed the timely implementation of many projects, and caused unnecessary changes to scopes of work. We also believe that this confusion and delay has eroded the trust between Bonneville Power Administration (BPA) and project sponsors. We wish to propose the development of an interim funding process intended to rebuild trust and return predictability and order to implementation of the Fish and Wildlife Program (Program) through the end of the current Rate Case in 2006 or until agreement is reached on a long-term funding process.

Currently, uncertainty over both project-specific and programmatic funding is reducing the effectiveness of the Program implementation process. For example, the Start-of-Year (SOY) Budget for 2004 and planning budgets for 2005 and 2006 are still unclear. There is currently no process for evaluating and prioritizing project modifications and mid-season adjustments to projects from a regional perspective. Accounting reports that illustrate which projects and/or tasks are actually being implemented by BPA have not been provided so it is unclear how much funding is available for projects in 2004 through 2006. Policies for capitalization of land and water acquisitions and carry-over funding for incomplete objectives and tasks within projects have not been provided. Finally, the accrual management methodology for the Program has not been satisfactorily explained or implemented. These circumstances have created a climate of uncertainty and confusion that needs to be addressed through a comprehensive regional review of the Program implementation process.

Long-term Process

In the Council's February 21, 2003 letter to BPA, strategies were identified to ensure adequate funding is available for the Program, including potential development of a Memorandum of Agreement (MOA). The Members of CBFWA support the development of a long-term agreement to define the implementation processes for the Program. Such an agreement would include:

- BPA's obligations under the Northwest Power Act and the Endangered Species Act;
- the budget levels necessary to meet those obligations;
- assurances for implementation of subbasin and recovery plans;
- the planning process and accounting system necessary to maximize effectiveness and efficiency of Program implementation (budget management);
- resolution of the Program's wildlife crediting policy;
- land and water acquisition and capitalization policy; and
- monitoring and reporting requirements necessary to evaluate implementation of the Program.

Interim Process

Until an agreement on these issues can be reached, CBFWA proposes the implementation of an interim process that would return certainty and stability to the Program for the remainder of the 2002-2006 Rate Case. The attached proposal outlines such a process, but assumes that discussions and negotiations for a long term definition of the Program will continue on a parallel course.

The attached "Interim Process Agreement Proposal" recommends returning to the planning processes that were employed during the previous Program MOA and would rely on the results from the first Rolling Provincial Review as a base for funding decisions. This process would include:

- developing a regionally approved SOY budget and project list in advance of the fiscal year;
- monitoring implementation of the Program through a series of quarterly meetings;
- establishing an unallocated placeholder to insure maximum implementation and flexibility of the Program budget within each fiscal year;
- modifying project budgets through a CBFWA/Council Within-Year Process, and;
- providing sufficient project funding for uncompleted tasks in successive fiscal years (carry-over).

We urge the Council and BPA to commit to the three-year, project specific, implementation plans developed during the process proposed here. The regional fish and wildlife managers engaged in the Council's three-year Rolling Provincial Review process that identified and prioritized fish and wildlife conservation efforts for the Columbia

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River Basin. The expectation of participants was assurance of a three-year funding commitment. The initial Rolling Provincial Review process is being compromised by use of accrual-based accounting limitations to drive budgeting decisions. Under this process individual project budgets are being reviewed (and potentially altered) on a year-by-year basis. Project sponsors cannot continue to engage in an annual regional prioritization process that detracts them from accomplishing on-the-ground activities.

As you are aware, the majority of our Members do not support the current level of funding for the Program, and some are pursuing additional funding through the appropriate forums including the Safety Net Cost Recovery Adjustment Clause proceedings. Nevertheless, our Members are committed to apply whatever level of funding is made available in a way that is most beneficial to the fish and wildlife of the Columbia River Basin. To do this, it is important that we restore the working relationships that allow the Program to function efficiently and develop a common understanding of the implementation process.

CBFWA staff is available to discuss this proposal further and to answer any questions. Thank you for consideration in attempting to restore certainty in funding and effectiveness in project implementation.

Sincerely,

[signed]

John Palensky, Chair

CC: Members, F & W Managers, CBFWA
BPA Staff & Administrator
NWPPC Members & Staff