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November 20, 2006

Bill Maslen, Director
Fish and Wildlife Division
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

Dear Mr. Maslen:

Re: Final Decision Document — Fish and Wildlife Project Funding Recommendations for Fiscal Years 2007 through 2009

Attached to this letter please find the final decision document that concludes the Council's fish and wildlife project review process for Fiscal Years 2007-09. As you know, at its October 2006 meeting in Helena, Montana, the Council decided on a set of project-specific and programmatic funding recommendations to Bonneville to implement the Council's *Columbia River Basin Fish and Wildlife Program* in those fiscal years. The Council transmitted the tables with the project funding recommendations as well as the programmatic recommendations to Bonneville shortly after the Council's October decision.

The document attached here contains and explains the Council's project review process and funding recommendations, including the written explanations required of the Council by Section 4(h)(10)(D) of the Northwest Power Act and other material documenting how the Council implemented the review process set forth in the statute. The Council approved this document at its meeting in Coeur d'Alene, Idaho, on November 15, 2006.

The Council's project-specific and programmatic recommendations from October are incorporated as Parts 1 and 2 of the final decision document. We revised the tables slightly from what the Council transmitted to Bonneville in October to correct a small number of errors and to reflect the Council's partial resolution in November of outstanding issues with two sets of projects.

Sincerely,

Doug Marker
Director, Fish and Wildlife Division

Northwest Power and Conservation Council
Fish and Wildlife Project Funding Recommendations to the Bonneville Power Administration
for Fiscal Years 2007 through 2009
November 2006

Introduction

This document contains and explains the Council's recommendations to the Bonneville Power Administration for the fish and wildlife projects Bonneville should fund in Fiscal Years 2007 through 2009 to implement the Council's *Columbia River Basin Fish and Wildlife Program*.

At its October 2006 meeting in Helena, Montana, the Council decided on its final project funding recommendations. Attached to this document (and incorporated into it as Part 1) are the four tables that contain the Council's recommendations for the projects and associated budgets to be funded in the next three fiscal years -- two tables that contain the expense and capital recommendations for the Provinces, one for the group of projects in the Mainstem/Multi-Province category, and one for the Basinwide monitoring and evaluation, research and coordination projects.

The Council also decided, at its October meeting, on a set of recommendations for resolving a number of broader policy and programmatic issues that underlie or affect the project funding recommendations. These programmatic recommendations should be considered conditions that accompany the specific project funding recommendations. The programmatic recommendations are incorporated into this document as Part 2.

The Council transmitted the tables with the project funding recommendations and the programmatic recommendations to Bonneville shortly after the Council's decisions at its October meeting. The tables and the programmatic recommendations may also be found on the Council's website at <http://www.nwcouncil.org/fw/budget/2007/finalrec/Default.htm>.

Part 3 then describes the legal framework for the Council's project review and funding recommendations and the process the Council followed for the FY 2007-09 project review. It also describes Bonneville's funding commitment for the FY 2007-09 rate period as well as the Council's funding allocation targets and principles leading into the review.

Finally, Part 4 contains the formal explanations by the Council responsive to the specific requirements of Section 4(h)(10)(D) of the Northwest Power Act. This includes the written explanations required of the Council in those few instances in which the Council's project funding recommendations do not follow the recommendations of the Independent Scientific Review Panel. The Council also explains how it complied with the requirements in Section 4(h)(10)(D) to "consider the impact of ocean conditions on fish and wildlife populations" and "determine whether the projects employ cost-effective measures to achieve program objectives" when making project funding recommendations.

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Part 1: Final Project Funding Recommendations for Fiscal Years 2007-09

The Council decided on its final project funding recommendations to Bonneville for FY 2007-09 at the Council's October 2006 meeting. Attached to this document are the four tables that contain the Council's project funding recommendations. The first two tables contain the expense and capital recommendations for the Provinces. The third table is for the group of projects in the Mainstem/Multi-Province category. The fourth is for the Basinwide monitoring and evaluation, research and coordination projects. The tables may also be found on the Council's website at <http://www.nwcouncil.org/fw/budget/2007/finalrec/Default.htm>.

Three points about these project recommendations need emphasis. First, a number of the project recommendations, particularly in the Basinwide category, should be considered interim funding recommendations while the Council completes reviews in these areas, including in the areas of monitoring and evaluation, data management, regional coordination, and wildlife land operation and maintenance funding. These projects are identified in the comments in the project tables, and the Council's approach is explained in the programmatic recommendations in Part 2.

Second, the project tables include comments that represent project-specific Council recommendations for implementation. These comments are most often responsive to specific concerns about a project raised by the Independent Scientific Review Panel. In other cases the comments explain adjustments to the project proposals as part of the prioritization review or address other needs of the Council and the program (such as the step review), giving direction to Bonneville and the project sponsors on how to move forward with the project in this rate period.

Third, the Council's project funding recommendations in October 2006 did not allocate all of the funding that Bonneville made available for this rate period. The unallocated funds come from three sources. First, the Council did not allocate in October \$8.7 million of the almost \$100 million the Council earmarked for the Basinwide category for the next three years. Second, the Council set aside a \$2 million per year unallocated placeholder in its original allocations. Third, the Council is aware that funds not spent in the last rate period will carry over into this period, estimated at around \$11 million but subject to final determination by Bonneville. The Council intends the unallocated funds to be a reserve available for a set of future needs in this rate period:

- Additional needs, if any, arising out of the new FCRPS Biological Opinion expected in 2007, to be identified and reviewed through the within-year process (see Issues 1 and 10 in the programmatic recommendations in Part 2 below)
- Possible application to monitoring and evaluation, data management, coordination, and wildlife lands operation and maintenance, subject to interim funding and further review as described in the programmatic recommendations (see Issues 2, 3, 4 and 9 in Part 2)
- Final project funding recommendations for fish passage science and analysis, part of the Basinwide category (identified in the Basinwide projects table)
- Other within-year adjustments, identified through the within-year process and criteria (see Issue 10 in the programmatic recommendations in Part 2)
- Transition funding needs, that is, limited funding needed in FY 2007 to wind up existing projects not slated for continuation, in an amount of funding unknown at this time.

The Council expects Bonneville to work closely with the Council to manage the use of these unallocated amounts for these purposes.

Part 2: Programmatic and Broad Policy Issues

Part 2 contains the Council's recommendations for resolving a number of broader policy and programmatic issues that underlie or affect the project funding recommendations. These programmatic recommendations should be considered conditions that accompany the specific project funding recommendations.

1. Integration of projects implementing the FCRPS Biological Opinions

Section 4(h)(10)(A) of the Northwest Power Act authorizes and obligates Bonneville to use its fund to protect, mitigate and enhance fish and wildlife affected by the Columbia hydrosystem, and to do so in manner that is consistent with the Council's program. This includes the activities to benefit fish and wildlife listed under the Endangered Species Act that have been the focus of the FCRPS Biological Opinions. This is what is known as integrating the ESA-based obligations into the broader Northwest Power Act program -- it is precisely because of the fact that Bonneville has funding authority for on-site and off-site mitigation under Section 4(h)(10)(A) that the biological opinions review and include actions directed at Bonneville to fund.

Recognizing this situation, the Council in this project review process, as in the recent past, has endeavored to deliver funding recommendations to Bonneville that satisfy Bonneville's ESA-based objectives balanced with its broader Northwest Power Act obligation to protect, mitigate and enhance any fish and wildlife affected by the hydrosystem. The Council believes that it has been quite successful in delivering the ESA-based project funding recommendations needed by Bonneville in the Council's past project review and within-year funding processes. A consistent message from the Council over the years has been that Bonneville needs to make its ESA-based requirements known as early as possible in the project selection process so that those needs may be considered as part of the overall and broader fish and wildlife project recommendation package the Council develops. Also, the Council has consistently noted that Bonneville's ESA-based actions need to be held to the same level of scientific, public, and Council review under Section 4(h)(10)(D) of the Power Act 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 benefits are substantial -- scientific rigor, public notice and comment, and budget scrutiny are products of this process. 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 -- presenting a strong case that the action is "reasonably certain to occur."

The Council's FY 2007-09 project solicitation and review process has moved forward under substantial uncertainty as to what Bonneville's ESA-based needs will be in this period. The 2000 and 2004 salmon Biological Opinions and the action agencies' Final Updated Proposed Action (UPA) reviewed in the 2004 FCRPS Biological Opinion have been declared to be legally invalid by the federal court. The latest decision is under appeal; the federal agencies are simultaneously engaged in a long collaborative process to develop a replacement biological opinion. That biological opinion may (or may not) call for more actions and greater survival improvements than in the past opinions. The schedule as of fall 2006 is to produce a final

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revised FCRPS Biological Opinion by February of 2007, well after the Council had to deliver its funding recommendations for FY 2007, and even that schedule may well slip. Bonneville has been able to provide the Council with an indication of what projects it seeks funding for to be consistent with the final UPA/2004 BiOp, which is still in place pending the revised biological opinion, but obviously cannot know now what the new proposed action and biological opinion will require of the agency.

Even given this uncertain situation, the Council concludes that it is recommending for Bonneville funding a suite of mainstem, offsite mitigation, and monitoring and evaluation projects that (1) are consistent with the activities assigned to Bonneville's responsibility in the UPA reviewed under the 2004 FCRPS Biological Opinion, and (2) will form at least the backbone of any foreseeable set of actions required of Bonneville in the revised biological opinion. As for what more might be required of Bonneville funding in the revised opinion, if anything, the Council expects Bonneville, NOAA and the participants in the biological opinion remand process to coordinate those needs with the Council as they develop the proposed action and the new biological opinion. The Council has left unallocated a certain portion of the funds that Bonneville has made available for the next three years in part to be able to meet any additional needs that arise from the new FCRPS Biological Opinion. The Council expects that Bonneville will not commit funding to projects to implement those new biological opinion requirements without first engaging with the Council in a review designed to be consistent with Section 4(h)(10)(D) and to have the same high standards for scientific review and public review that attends the Council's general project selection process.

2. Monitoring and evaluation

Regional monitoring plan/interim funding recommendations for regional and hatchery and supplementation monitoring and evaluation projects

The Fish and Wildlife Program calls for a monitoring program to evaluate whether the individual actions in the mainstem and subbasins are achieving the objectives of the program stated at the basin, province and subbasin levels. In developing its project funding recommendations here, the Council has sought to prioritize monitoring activities and methods to evaluate the effectiveness of program activities and trends in fish and wildlife populations and habitat conditions. The Council has simultaneously pursued a regional discussion of the appropriate monitoring and evaluation framework for the program, an effort that will continue.

The difficulty is that the region does not yet have a regional monitoring and evaluation plan that, when implemented, will allow the Council to produce an annual evaluation report of the success of the program in meeting its objectives. The plan should also identify specific funding priorities. In particular, the Council needs to develop a coordinated monitoring and evaluation effort for the supplementation experiments taking place in the region. Consequently the Council recommends that all monitoring and evaluation project funding recommendations be considered interim until a science-based, regional monitoring and evaluation plan is adopted by the Council. At that time the Council will make final funding recommendations for monitoring and evaluation for the remainder of the FY 2007-09 period consistent with the plan.

Habitat improvement projects and monitoring and evaluation

Going into this project review process, the Council settled on a particular approach to monitoring and evaluation for habitat projects and provided guidance to project sponsors accordingly. The approach has been to de-emphasize the need to monitor and evaluate the effectiveness of each individual habitat project, on the grounds that this has proven to be expensive and yet has not yielded satisfactory results. The Council instructed project sponsors to limit the monitoring and evaluation elements of habitat projects to no more than 5 percent of the project budget as a general rule, and to focus project-specific monitoring and evaluation on ensuring project compliance. The Council intends instead to focus program efforts for at least the near term on a limited set of subbasin habitat monitoring and evaluation projects and on a set of broader regional projects to evaluate the effectiveness of on-the-ground habitat activities, improvements in habitat attributes and trends in fish and wildlife populations and habitat conditions.

The ISRP is concerned about this approach, criticizing a number of habitat projects for deficiencies in the monitoring and evaluation elements (deficiencies largely the result of the Council guidance). The ISRP's views culminated in a programmatic comment to the Council to rethink the entire approach, including the 5 percent budget proportion target for individual habitat projects.

The Council understands the ISRP's concerns, but the Council is also not persuaded that investing more heavily in project-specific monitoring and evaluation for the program's habitat work is a wise priority use of funds in the next rate period. Thus the Council recommends not changing the approach it has started on for the FY 2007-09 project funding recommendations. Except where noted in the comments on specific projects in the budget tables, the Council has not accepted the project-specific recommendations from the ISRP for different monitoring and evaluation elements for habitat projects, or for reduced funding of habitat projects on the grounds of a defective monitoring and evaluation plan. However, the Council will take a hard look at the merits and problems with this approach as it works with its regional partners to develop the monitoring and evaluation framework plan described above and, assuming the Council does not change course immediately, the Council will revisit this issue in the next project review process.

Project reporting

The Council recommends that Bonneville ensure that all projects adequately report their accomplishments and the results of their monitoring and evaluation. The ISRP identified a number of ongoing projects that did not adequately report results in their proposals for renewed funding, noting a general weakness in the reporting of results as a programmatic issue.

Bonneville, in its role of developing and enforcing contracts, should ensure that project sponsors are given every opportunity to report results. If adequate reporting still does not occur, Bonneville should consider suspending, terminating, or not renewing contracts and notifying the Council of this intended action.

Fish tagging programs

In its programmatic report, the ISRP questioned how well the various fish tagging programs (coded-wire tags, PIT-tags, radio tags, and so forth) work together for efficient monitoring, evaluation, and research. The ISRP called for a review of all these tagging projects, of their need and coordination and costs. The Council recommends that such a review take place and will work to ensure that it happens, coordinating with the Corps's AFEP research program and others.

Wildlife program monitoring and evaluation and HEP

The ISRP recommended that the program use the Habitat Evaluation Procedure (HEP) only for the purpose of evaluating the habitat units to be acquired against losses prior to acquisitions, and not use it for monitoring and assessing the gains to wildlife resulting from acquisitions. HEP is currently the common accounting tool used in the program for assessing wildlife habitat quality. It does not measure population responses to changes in habitat quality. As part of the Council's overall monitoring and evaluation review described above, the Council will consider alternative monitoring methods and their costs for the wildlife program.

3. Data management

The Council and its regional partners are currently working to resolve a number of outstanding problems with data management in the region. Establishing a coordinated data management system with clearly described standards is the goal of these ongoing efforts. The Council considers its project funding recommendations regarding all data management projects to be interim until these data management issues are resolved and the Council can issue final, comprehensive recommendations in this area.

4. Coordination funding

The Council will conduct a review of historical spending and current obligations by Bonneville to support regional coordination activity. The review will also include an outline of regional tasks that are appropriate for Bonneville funding for agency and tribal participation. The Council has established a "regional coordination placeholder" in the Basinwide projects category pending the completion of its review. Five project proposals that involve regional coordination activities are subject to that placeholder and have no budget recommendations at this time. The Council will work expeditiously to complete its review, possibly at its November 2006 meeting. Upon the completion of the Council's review, the Council will make its final project funding recommendations for regional coordination activities for the FY 2007-09 period.

5. In lieu provision

Bonneville has a legal obligation under the Northwest Power Act to protect, mitigate, and enhance fish and wildlife adversely affected by development and operation of the Columbia hydrosystem. This is Bonneville's *responsibility*. To help meet this obligation, Bonneville has the *authority* to fund on-site protection and mitigation actions, offsite habitat and production enhancements, and associated monitoring, evaluation and coordination activities. Section 4(h)(10)(A) of the act then *limits* that authority in one particular way, in what is called the "in lieu" provision: "Expenditures of the Administrator pursuant to this paragraph shall be in addition to, not in lieu of, other expenditures authorized or required from other entities under other agreements or provisions of law."

The Council has encouraged Bonneville over the years to develop a policy to help guide Bonneville, the Council and project sponsors through in lieu situations. Bonneville has been working to develop such a policy, the most recent version communicated to the Council in an August 3, 2006, letter from Greg Delwiche, Vice President for Environment, Fish and Wildlife. While there is still work to do before the policy is final, it is a satisfactory place to start. The policy is particularly sound by emphasizing that in situations in which an entity other than Bonneville has overlapping authority to do the type of work represented by a project proposed for Bonneville funding, the key inquiry will be one of proof about expenditures -- that is, whether it can be shown that Bonneville's funds would be coming in addition to the expenditures of the other entity and not in lieu of or supplanting the funds of the other.

The Bonneville in lieu policy is also sound in recognizing that "[r]easonable cost-sharing (where Bonneville funding is a portion of the overall proposed budget for a proposal) can demonstrate that Bonneville's funding is not supplanting that of another entity already authorized or required to undertake the activity." On the other hand, the Council believes the policy is not yet sound in the way it overemphasizes per-project cost sharing as the primary or preferred or default way of proving the absence of an in-lieu problem. There are other ways of equal legal validity to prove that Bonneville's funds are in addition to and not in lieu of the funds of another entity with overlapping authority. The most obvious, and likely the most common, would be at a scale or level above individual projects, situations in which Bonneville and the other entity are funding activities in parallel or in complement (such as different riparian improvement projects in the same area, or different aspects of a monitoring program), even if no particular project is cost-shared. Bonneville has developed just such an approach in a recent Memorandum of Understanding with the Forest Service; there is no reason the approach cannot work elsewhere, and it need not be implemented only by agreement. The Bonneville letter does recognize the need to consider other "remedies" besides per-project cost sharing for an in-lieu concern, and the Bonneville staff are committed to working with the Council staff to develop these concepts further for consideration by the Council and Bonneville management. The Council expects to be able to consider a further policy proposal early in FY 2007.

Bonneville's August 3 in-lieu letter also provided preliminary in-lieu ratings for all new project proposals. A small number of the projects prioritized for funding by the local review groups are on the list of projects with serious in-lieu concerns. To the extent the Council's final funding recommendations include any of these projects, the Council will work with Bonneville

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and the project sponsors to try to address these concerns, as it appears that funding will not begin until that happens.

Early in October 2006 Bonneville then presented the Council with its preliminary “in lieu” ratings for all ongoing projects in the Council’s draft funding recommendations. The Council has not had sufficient time to review these ratings in any depth, and they played no role in the Council’s final project recommendations. Bonneville confirmed that it was not planning to use these preliminary ratings as a reason not to contract and fund on-going projects in FY 2007. The Council and Bonneville will work together with the project sponsors and others in the next few months to address these concerns.

6. Use of Bonneville’s capital borrowing authority

As described above, Bonneville will make up to \$36 million available per year during FY 2007-09 for capital investments. This latter amount, often referred to as “capital” funding, is subject to particular rules and standards prescribed by Bonneville in its “Fish and Wildlife Capitalization Policy.” Bonneville recently clarified its policy and then reviewed the FY 2007-09 project proposals against the policy, communicated in a letter to the Council dated August 24, 2006. The Council based its capital and expense funding recommendations for FY 2007-09 on the policy as clarified.

The Council has differed with Bonneville in the recent past over aspects of the capital policy. Those differences have narrowed substantially, with thanks to Bonneville personnel for continuing to work on these issues with the Council. One remaining difference of significance remains the issue of whether a “crediting” mechanism must be in place before a land acquisition to protect habitat for fish may be eligible for capital funding and, if so, of what type. Outside of the context of the Hungry Horse and Libby mitigation programs, Bonneville has not been willing to capitalize land acquisitions to protect habitat for fish on the grounds that the program lacks a quantitative crediting mechanism for these acquisitions. The Council continues to believe what Bonneville requires in the way of a crediting mechanism may be more strict than the law or accounting standards or sound policy require. The Council has instructed the staff to continue to work with Bonneville on this matter.

7. Step review

The Council first developed the three-step review in response to recommendations in the first report of the Independent Scientific Review Panel in 1997. The Council originally conceived of the three-step review as an interim process pending the completion of a comprehensive review of artificial production policy across the basin. The Council conducted that Artificial Production Review, adopted the final report, and embedded the recommendations from the review in the 2000 Fish and Wildlife Program. Following that, the Council decided (in 2001) that it made sense to continue the three-step review sequence for all new production proposed, and for other large, complex implementation projects under the program. Any three-step review is now guided as well by the subbasin plans recently adopted into the program, which provide a broader

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local context of subbasin objectives and habitat and production strategies. And future three-step reviews will also be informed by the results of ongoing efforts to develop quantitative biological objectives for key species at the ecological province scale and to develop a comprehensive reformed monitoring and evaluation framework for the basin.

The Council will continue to employ the three-step review process for new artificial production and other major projects. But it will also work to ensure that a new and heightened emphasis be put on timely delivery of step products -- deadlines and performance reporting will be required in an effort to put an end to projects languishing within the process. Discussions with the Council indicate a need to encourage and hold accountable the projects that are placed into the step review process. The Council directs staff to make sure that each of the three steps has standardized milestones informing the Council and Bonneville of progress. Performance must be a criterion for justifying future funding; no project should be allowed to strive indefinitely to get to the next step.

8. Water conservation projects

The Council has recommended funding for several projects during the FY 2007-09 period that will conserve water for the purpose of enhancing flows in tributaries for fish. In order to ensure that these projects provide long-term benefits to fish it is essential that Bonneville verify that these projects will result in a legally protected increase in instream water flows. We encourage Bonneville to utilize the experience developed by the National Fish and Wildlife Foundation's Northwest office to verify the permanence of in-stream flows before beginning these projects. The ISRP provided a similar recommendation to the Council in the panel's programmatic comments.

9. Funding for operation and maintenance

Operation and maintenance costs for wildlife acquisitions -- interim funding recommendations

Neither the Council nor Bonneville has conducted a detailed review to determine appropriate funding levels for past acquisitions to mitigate for the loss of wildlife. Consequently the Council recommends that all wildlife operation and maintenance funding recommendations be considered interim until this analysis can be conducted. At that time the Council will make final funding recommendations for wildlife operation and maintenance budgets for the remainder of the FY 2007-09 period.

The ISRP's programmatic report contained a related recommendation -- that the Council investigate incentives to stimulate project sponsors to design land acquisition proposals that include self-sustaining operation and maintenance components. The Council will investigate this idea as part of its wildlife lands operation and maintenance review.

Funding the operation and maintenance costs of a maturing program

The fish and wildlife program is in its third decade of implementation. Over the years, program implementation has included the development of infrastructure that is durable, providing ongoing fish and wildlife benefits. The Council and Bonneville have overseen investments in hatcheries, riparian improvements, fish-friendly structures and screens, interests in land, and so forth on the expectation and even commitment that Bonneville would provide funding to operate and maintain these facilities to continue the flow of fish and wildlife benefits over a long period of time. Because the Council and Bonneville have legal obligations to achieve 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.

The costs to operate and maintain the infrastructure built up under the fish and wildlife program are growing, consuming a larger share of the available expense budget each year. 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.

It is time for the Council, Bonneville and others to 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 vehicles should be explored as part of an effort to develop a cohesive and comprehensive maintenance plan for a maturing program, with more creative and efficient ways to fund that maintenance plan. This would be in contrast to the way operation and maintenance costs have been handled so far -- 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.

The Council directs the staff to work with Bonneville, the fish and wildlife managers, and others on this issue as a priority before the next project review process, and present alternatives to the Council and Bonneville management for consideration. The Council's Fish and Wildlife Committee tentatively endorsed a proposal by the staff to tackle this matter in three steps, and is to oversee the staff's work on this matter:

- Step 1** : Develop a common definition for what activities within the program are considered operation and maintenance.

- Step 2**: Identify activities that the program should support, and benchmark the costs of those actions.

- Step 3**: Develop a range alternative vehicles or approaches for delivering the actual long-term operation and maintenance funds.

At each stage the staff is to report to the Committee and then the Council with the results of its inquiry and a recommendation for consideration and approval. The Council will also need to

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decide as the review progresses how best to engage the public, perhaps through a series of issue papers for public review and comment.

The staff should initiate this review soon after the Council finalizes its FY 2007-09 recommendations. The review of wildlife operation and maintenance costs described above seems a likely place to begin, for its own sake and as a pilot project for the whole program. The goal is to have a long-term operation and maintenance plan as described here in place before beginning the next project review process for FY 2010.

10. Within-year program budget tracking and adjustment process during FY 2007-09

Late in 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 and recommend for Council and Bonneville considerations within-year adjustments as needed. The Council expects that during FY 2007-09 there will continue to be a within-year process led by the BOG, and that this process will remain largely as it has in the recent past. Bonneville and Council staffs continue to work on proposed refinements to the process, brought before the Council in November 2006 for review.

11. Future project selection

The staff discussed in some depth with the Fish and Wildlife Committee and the full Council possible changes to the project solicitation and review process in the future, as documented in the staff's rolling issue memorandum throughout the FY 2007-09 review process. Those discussions will continue following the Council's decision on its FY 2007-09 funding recommendations. The ISRP provided the Council with a number of programmatic comments and recommendations for how to conduct the project review process in the future. The Council will carefully consider those comments at that time.

12. ISRP: Innovative projects placeholder

The ISRP urged the Council to budget for an innovative projects category, as the Council has recommended in the past. The Council is reserving a placeholder for innovative projects, as part of the Basinwide project recommendations. The Council will work with Bonneville and others on the appropriate criteria and solicitation and the process for reviewing and selecting proposals.

13. ISRP: Artificial production

The ISRP's programmatic report recommended that the Council consider issuing two Requests for Proposals -- one to evaluate the effects of large-scale production programs intended for harvest on naturally spawning populations and the second to conduct an experiment on the long-term fitness effects of supplementation. The panel also suggested a specific workshop to

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help the design of a coordinated evaluation of supplementation to follow on the April 2006 ISAB supplementation workshop. The Council is continuing to discuss with staff and others the outcomes of the supplementation workshop and what next steps to take, and is not ready at this time to respond to the ISRP's specific recommendations.

14. ISRP: Habitat projects

The ISRP's programmatic report included a number of recommendations regarding habitat project implementation. Most are discussed above. The panel also recommended that the Council investigate what lessons might be learned from successful Model Watershed programs in the Columbia Basin and elsewhere, and similarly evaluate the effects of the conservation district projects funded by the program. The Council intends to evaluate certain aspects of the program as part of preparing for the next program amendment cycle. The Council will consider these panel recommendations at that time; evaluating the benefits of the habitat work funded under the program will be an important consideration.

Part 3: FY 2007-09 Project Review Process: Legal Framework, Bonneville Budget Commitment, Council Budget Allocation Targets, Review Procedures

Part 3 describes the legal framework for the Council’s project review and funding recommendations and the process the Council followed for the FY 2007-09 project review. It also describes Bonneville’s funding commitment for the FY 2007-09 rate period as well as the Council’s funding allocation targets and principles leading into the review. Each section also includes the Council’s response to a small set of key issues about the review process raised in public comments.

Northwest Power Act legal framework

Pursuant to Section 4h of the Northwest Power Act, the Council has adopted a program to protect, mitigate, and enhance the fish and wildlife of the Columbia River Basin adversely affected by the development and operation of the hydroelectric projects on the Columbia. The current version of the Council’s program is the *2000 Columbia River Basin Fish and Wildlife Program*, as supplemented by the 2003 Mainstem Amendments and the subbasin plans for 57 subbasins of the Columbia adopted in 2004-05. See <http://www.nwcouncil.org/fw/program/>.

The Council’s fish and wildlife program consists of measures and objectives that directly address the effects of the mainstem Columbia and Snake river hydroelectric dams on fish and wildlife. The program also includes habitat and production enhancement objectives and measures for the Columbia’s many tributaries and for the estuary, intended as off-site mitigation for effects of the hydrosystem that cannot be protected against or mitigated in the mainstem. And, the program includes provisions for monitoring and evaluation, research, and coordination to help in implementation and review of the program.

Section 4(h)(10)(A) of the Power Act then calls on the Bonneville Power Administration to use its fund and other authorities to protect, mitigate, and enhance these same fish and wildlife “in a manner consistent with” the Council’s fish and wildlife program. Bonneville directly spends millions of dollars every year to fund hundreds of mainstem and off-site mitigation projects to implement measures in the Council’s program.

In a 1996 amendment to the Northwest Power Act adding Section 4(h)(10)(D), Congress added to the Council’s responsibilities a review of the projects annually proposed for funding by Bonneville to implement the Council’s program. The Council is to conduct this review with the assistance of an Independent Scientific Review Panel appointed by the Council. The panel is to “review a sufficient number of projects to adequately ensure that the list of prioritized projects recommended is consistent with the Council’s program,” and then to make project recommendations to the Council “based on a determination that projects: are based on sound scientific principles; benefit fish and wildlife; and have a clearly defined objective and outcome with provisions for monitoring and evaluation of results.”

The statute requires the Council to release the panel’s findings for public review and comment. The Council is to “fully consider” the recommendations of the panel. After

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consideration of the panel's recommendations, and of the recommendations and comments of other entities and the public, the Council completes the review process by deciding on its project-funding recommendations to Bonneville to implement the program. If the Council decides not to accept a recommendation of the ISRP, the Council must explain in writing its reasons. The Council is also to "consider the impact of ocean conditions on fish and wildlife populations" and "determine whether the projects employ cost-effective measures to achieve program objectives" when deciding on its project funding recommendations. See Part 4, below. At bottom the Power Act provides that "[t]he Council, after consideration of the recommendations of the Panel and other appropriate entities, shall be responsible for making the final recommendations of projects to be funded through BPA's annual fish and wildlife budget."

Comments relating to substantive and procedural requirements of the project review process. The Council received a number of comments about the nature of the review process the Council should have engaged in leading up to the FY 2007-09 project funding recommendations. Many of these comments largely seemed to be missing the point by presupposing a set of procedural and substantive legal requirements on the Council that go well beyond what the statute actually requires. To emphasize the point, all that Section 4(h)(10)(D) requires is that the Council:

- Solicit project proposals to implement the Council's program
- Have the proposals reviewed by the ISRP
- Release the ISRP's report and recommendations for public review and comment
- "Fully consider" the recommendations of the ISRP
- Consider the recommendations and comments of other entities and the public
- Consider the impacts of ocean conditions upon fish and wildlife populations
- Determine whether projects employ cost-effective measures to achieve program objectives
- Make final project funding recommendations
- Explain its reasons for not accepting ISRP recommendations

It is on this platform that the Council "shall be responsible" for making the final recommendations of projects to be funded through Bonneville's annual fish and wildlife budget.

That is it. No other public process is required. No other entity or group or agency or person or organization has a statutorily defined role in the project review process. No particular deference or weight or special consideration is to be accorded to the project proposals or views of any entity other than the recommendations of the ISRP as the Council reviews project proposals and makes its funding recommendations. Other than consistency with the program, the Power Act does not prescribe a particular set of substantive standards or criteria -- biological or otherwise -- for evaluating the Council's recommendations, even for evaluating the reasons the Council gives in any particular instance for not following the panel's recommendations. Thus the only substantive standards guiding the Council as it makes its project funding recommendations are consistency with the fish and wildlife program and the general federal Administrative Procedures Act review standard that decisions of the Council not be arbitrary and capricious. The Council more than satisfied the requirements of Section 4(h)(10)(D) set out above, affording far more in the way of a public process than the minimum required.

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Role of fish and wildlife agencies and tribes. In the most prominent version of the type of comment described above, the Council received a number of comments to the effect that the Council should or must defer to the project proposals from the fish and wildlife agencies and tribes or to their views and recommendations as to which projects must be funded, whether expressed individually or collectively. The Council recognizes the importance of the agencies and tribes in every aspect of the Council's program. A great many of the projects recommended by the Council and funded under the program are projects sponsored or supported by the fish and wildlife agencies and tribes, as is logical under the fish and wildlife program. But that is different from saying that the agencies and tribes have a particular legal role or that their views have a particular legal status in the project review process. Section 4(h)(10)(D) does not describe or mention a role for the agencies and tribes or give legal status to their views in project review and when the Council makes its funding recommendations.

The argument that they do have a role appears to be based in the fact that under the provisions of Sections 4(h)(1-7), the Council must defer to a significant extent to the recommendations, views, rights and activities of the agencies and tribes *during a program amendment process*. And so, as the argument often proceeds, the effects of these provisions should carry over into the very distinct realm of program *implementation* as a matter of law -- that is, that the Council (and Bonneville) owe substantive legal deference to the views of the agencies and tribes at the time the Council makes decisions as to which projects to recommend for funding to implement the program.

This is simply not true as a matter of law, that is, as a direct legal standard that applies during the project solicitation and review process when the Council makes its funding recommendations. A program amendment process is the only time the Council is explicitly directed to apply the legal standards in Sections 4(h)(1-7) that give special status to the roles and views of the agencies and tribes. The Power Act does not create a direct legal relationship between these entities and these program amendment standards and the subsequent events that follow program amendments, especially including the Council's activities set forth in Section 4(h)(10)(D) involved in reviewing projects and making funding recommendations. Project funding recommendations made after the program has been adopted are not legally subject to the Section 4(h)(1-7) standards and should not be directly evaluated against those standards.

Instead, as emphasized above, what Section 4(h)(10)(D) provides is that the Council legally owes deference to its *program* when reviewing project proposals and making funding decisions, not to the distinct views of the agencies and tribes at that moment. (Bonneville's subsequent obligation is also to the *program*, required as it is by Section 4(h)(10)(A) to use its fund in a manner consistent with the Council's program.) Given that the provisions of Section 4(h) result in a Council program based significantly on the recommendations of the agencies and tribes, in a practical sense the views of the agencies and tribes expressed at the time of program amendments are embedded in the program and in that way have major influence on project review and program implementation. That is not the same as concluding that deference to the views of the agencies and tribes is one of the binding legal standards that apply at the time of project review -- this is absent from Section 4(h)(10)(D). Instead the statute explicitly directs the Council to give close attention in this process to the program itself and to the review

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recommendations of the Independent Scientific Review Panel, and to write explanatory findings against those if not followed.

Role of Bonneville. As noted above, Bonneville's responsibility under the Northwest Power Act is to use its fund and other authorities to protect, mitigate and enhance fish and wildlife affected by the Columbia hydrosystem in a manner consistent with the Council's program, its power plan and the purposes of the act. In adding Section 4(h)(10)(D) to the act in 1996, Congress did not change Bonneville's role or legal obligation toward the program. Congress did elevate the Council's role in determining in any particular fiscal year what set of projects out of those proposed and satisfying scientific scrutiny best constitute implementation of the Council's program, providing a record further guiding Bonneville's funding and implementation decisions "in a manner consistent with" the program. (*See* the end of the next section for a discussion of Bonneville's role in setting funding levels.)

Bonneville's comments on the draft project funding recommendations are a model of support and cooperation between the two entities with different roles in achieving success with a shared program. At a few points the Bonneville comments veer further than appropriate toward asserting independent policy considerations to evaluate the Council's project recommendations that are best suited for the program itself, such as in the way in which Bonneville framed some of its programmatic recommendations (for example, in "signaling the considerations BPA underscored during project development" that "we will ultimately use in making BPA spending decisions") and in Bonneville's comments throughout the process as to the types and levels of monitoring and evaluation Bonneville considers appropriate for the program. Also, Bonneville may take the spirit of comity too far, as the Council does not agree that it is only as a matter of policy and comity and Bonneville discretion, and not as a matter of law, that the ISRP and the Council should get an opportunity to review proposed ESA-based actions before Bonneville decides to fund these actions. Resolving that difference is not important, however, as the Council is pleased that Bonneville "will commit to the Council that it will work to ensure those projects that address any new requirements under forthcoming biological opinions during this rate period will receive scientific and public review through the Council and its ISRP process." These are small concerns across a set of comments that speak to a productive partnership to address the broader issues faced by the program and described in the Council's programmatic recommendations.

Bonneville budget commitment and the Council's budget allocation targets

In the fall of 2005, prior to the Council launching the FY 2007-09 project review process itself, Bonneville informed the Council that Bonneville will make available to the program for direct expenditures in FY 2007-09 an average of \$143 million per year. Bonneville and the Council then agreed that the Council could use an annual average planning budget of \$153 million for these years in formulating the project funding recommendations.

Bonneville has also committed to add to that expense budget commitment any funds that Bonneville made available for the expense portion of the fish and wildlife program during the last rate period but then did not spend. The amount of such funds that will carry over is

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estimated as of late October 2006 to be in the range of \$11 million, but the precise amount is still to be determined by Bonneville. *See* the discussion of the carryover funds as part of the discussion of the unallocated reserve in Part 1, above.

In addition to the amount of “expense” funding noted above, Bonneville will also make up to \$36 million available per year during FY 2007-09 for capital investments, 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 “Fish and Wildlife Capitalization Policy,” last reviewed in August 2005 and found at http://www.efw.bpa.gov/Integrated_Fish_and_Wildlife_Program/FW%20Capitalization%20Policy%2011-4-04.pdf. Bonneville recently clarified its policy and then reviewed the FY 2007-09 project proposals against the policy, communicated in a letter to the Council dated August 24, 2006. *See* <http://www.nwcouncil.org/fw/budget/2007/CapitalExpenseAug.pdf>. The Council’s capital and expense project recommendations are based on this clarification.

With this budget commitment from Bonneville, and still prior to launching the project review process itself, the Council established budget allocation planning targets for the different categories of the program to allow for organized and productive review of project proposals. This included a budget target for each of the ecological provinces, a similar planning budget target for the basinwide research, monitoring and evaluation, and coordination activities not linked to a particular province, and a separate budget target for that group of projects consisting of the few mainstem on-the-ground and multi-province projects. The Council also recognized that the budget would have to cover the cost of Bonneville’s internal program support and the cost of the independent science panels, and these were subtracted from the total commitment up front. Finally, the Council reserved an unallocated placeholder of \$2 million per year, for purposes discussed above in Part 1.

The tables below display how the Council recommends allocating the expense funding commitment across the program. (Note: Not factored into the allocation tables were the amounts unspent from FY 2003-06 that will be added into FY 2007-09; *see* the discussion above.)

Table 1. Annual Program Planning Budget for FY 2007-09

Budget Step	\$ Amount/step	Balance
Program planning target	\$153,000,000	-
Bonneville Program Support	\$11,000,000	\$142,000,000
ISRP/ISAB	\$1,050,000	\$140,950,000
Placeholders (planning estimate)	\$2,000,000	\$138,950,000
Province allocation	\$92,894,502	\$46,055,498
Mainstem On the Ground/Multi-Province allocation	\$13,411,338	\$32,644,160
Total (Province + Mainstem OTG/MP)	\$106,305,840	\$32,644,160
Basinwide allocation	\$32,644,160	\$0

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Table 2. Province and mainstem/multi-province allocation

Province	Percent of Allocation	\$ Allocation
Blue Mountain	6.7	\$7,127,528
Columbia Cascade	2.8	\$3,001,663
Columbia Gorge	5.0	\$5,312,554
Columbia Plateau	20.5	\$21,748,203
Intermountain	14.3	\$15,248,105
Lower Columbia	2.3	\$2,492,862
Estuary	3.4	\$3,662,490
Middle Snake	3.2	\$3,374,079
Mountain Columbia	11.8	\$12,590,537
Mountain Snake	15.8	\$16,761,459
Upper Snake	1.5	\$1,575,022
Mainstem/Multi-Province	Percent of Allocation	\$ Allocation
Multi-province	6.3	\$6,709,515
Mainstem	6.4	\$6,701,823
Total:	100	\$106,305,840

The Council based the allocations on historical Council funding recommendations, starting from the average of the Council recommendations for FY 2004-06. That is, the Council surveyed how it, along with Bonneville, the fish and wildlife managers, and others, has traditionally committed funding under the program. These patterns are the legacy of management emphases and legal and policy considerations, and are not to be considered perfect or necessarily used in the future.

The Council also premised the expense funding allocations on consistency with the provisions of the Council's 2000 Fish and Wildlife Program intended to assure that Bonneville funds are committed to all areas of a basinwide mitigation and protection program. The Council thus made certain adjustments to the historically derived allocations of expense funding to reflect the program provisions that call for distributing Bonneville funding so that 70 percent is spent on projects benefiting anadromous fish, 15 percent resident fish and 15 percent wildlife. The Council notes that while in recent years the resident fish distribution has come close to 15 percent of the program funding, the wildlife component has lagged behind. The Council's intent in this upfront allocation was to provide an opportunity for both of these program areas to approach their 15 percent allocation goal. For further explanation of the budget allocations, *see* the original review guidance at <http://www.nwcouncil.org/fw/budget/2007/guide.pdf>.

Bonneville stated a goal during its "Power Function Review" (the process leading to Bonneville's determination of projected program funding levels for the FY 2007-09 rate period) of committing at least 70 percent of its annual fish and wildlife funding to "on the ground work," and no more than 25 percent to research and monitoring and evaluation activities and 5 percent to coordination actions. The Council considered these goals but decided *not* to use these targets to allocate funding for FY 2007-09. Nonetheless, the Council and Bonneville have worked together in this project review process, and will continue to do so, to focus resources on activities

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that provide direct benefits to fish and wildlife while maintaining an efficient accountability framework of monitoring and evaluation, research directed at key priorities, and streamlined coordination activities. These issues are discussed above in Part 2.

Comments on the relationship of the Council's funding recommendations to Bonneville's FY 2007-09 funding commitment. The Council received comments supporting and criticizing the Council for working to deliver project funding recommendations to Bonneville consistent with Bonneville's funding commitment. Critical commenters argued that Bonneville's funding commitment is inadequate to implement the program and based on faulty assumptions, and thus the Council should have ignored that commitment in crafting a set of projects to recommend for program implementation over the next three years.

The Council's obligation is to adopt objectives and measures into a fish and wildlife program, and then to deliver project funding recommendations to Bonneville to implement that program. It is Bonneville's legal responsibility to determine how to use its fund (including how much of its fund) to protect, mitigate and enhance fish and wildlife in a manner substantively consistent with the Council's program. Bonneville engaged the region, including the Council, in a lengthy process in 2004-05 (the Power Function Review) to estimate all its program funding levels for the next three years (including for fish and wildlife) to develop the projected revenue requirement for the FY 2007-09 rate case. Those projected funding levels became the source for the fish and wildlife budget commitment that Bonneville delivered to the Council. Interested parties differed (and still do) as to whether the projected funding levels were too high, too low, or just right. But that is not the same as saying that there was any point to the Council, in the subsequent project review process, ignoring what the responsible federal agency had just projected to be the amount of its budget it intends to dedicate to this purpose. The Council did not consider the level of Bonneville's funding commitment to be an issue in this project review process, just a fact to work with. The Council's project recommendations and Bonneville's spending patterns implement priority projects across the entire Columbia basin, mainstem, tributary, and estuary, commensurate with a big, systemwide, long-term mitigation program. The fact that the projected budget commitment cannot fund every project proposal, or even every project proposal that passes ISRP review and can be connected to a measure in a subbasin plan or other part of the program, is no proof that the funding commitment is inadequate, or even a fact of any relevance. The Power Act does not promise unlimited resources.

If the Council had certain information indicating the funding amount projected is wholly inadequate, that might be different. That is not the case. Absent that, the Council's focus has been, as it should be, on delivering project funding recommendations consistent with the program. If at any point the Council has information that the program is suffering because Bonneville is clearly dedicating insufficient resources to it, or that Bonneville is failing in some other way to implement the program adequately, the Council has the authority under Section 4(i) of the Power Act to review the actions of the Administrator and seek changes, authority to recommend that additional projects be recommended, and other authorities and influences to bring to bear as well.

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Project review, funding levels and the subbasin plans. A number of comments throughout the review process framed the comment about the funding levels in terms of Bonneville's responsibility to fund or to implement fully the subbasin plans. These comments misunderstand the role of the subbasin plans in the program and during the project review process. As the Council explained in the findings upon adoption of the subbasin plans into the program, the purpose of the subbasin plans is not to precisely catalog every fish and wildlife action in a subbasin that it is Bonneville's responsibility to implement. The purpose instead has been to have well-conceived, integrated plans to draw from (by the Council and Bonneville or by anyone else with responsibility or authority to address the needs of the species in that basin) at any particular moment for the most productive priority objectives and measures to fund and implement. That is how the Council has used them in this project review process.

The Council asked the subbasin planners to identify focal species that are adversely affected by the hydrosystem and that use that subbasin during some part of their life cycle. Then the planners identified factors in the subbasin that limit the survival or productivity of those species, and proposed corresponding objectives and strategies to address those limiting factors. Most all of these strategies are within Bonneville's authority to fund as offsite mitigation to address Bonneville's mitigation obligation from the mainstem, whatever the immediate cause of the limiting factor in the subbasin. But the Council did not ask the subbasin planners to size the subbasin plan objectives to precisely match a quantitative allocation of Bonneville's mitigation responsibility. Nor did the Council ask the subbasin planners to determine at what aggregate point implementing the strategies in the subbasin plan would or could exceed Bonneville's mitigation obligation for hydrosystem effects. These cannot be assessed at the subbasin level, at least not at first, as they are instead programmatic and policy matters in the hands of the Council and Bonneville and others, and beyond the technical capability of any at this moment. Instead, the Council purposely asked the planners to address the needs of the species without regard for the precise nature of Bonneville's responsibility, so that the plans would not be self-limiting in their assessment of the needs of the key species and thus could also prove a useful road map and coordinating tool for all the other entities with responsibility and authority to address the needs of these species in these subbasins. To act in a manner consistent with the program, Bonneville should be funding projects that the Council recommends as consistent with the priorities of the subbasin plans. It does not mean Bonneville's funding commitment must equal full implementation of the subbasin plans in any year or across a rate period.

Use of a planning budget. Finally, the Council also received comments critical of its use of a planning budget with an annual average of \$153 million for expense funding, higher than Bonneville's annual average spending target for the rate period of \$143 million in expense. These comments misunderstand that this is precisely the planning/expenditure relationship that the Council and Bonneville have agreed to operate under, and that in no case in the last half decade that this has been the practice has Bonneville exceeded its annual average spending targets. For a longer discussion of the difference between the Council's use of a planning budget and Bonneville's actual spending targets, and how the two are managed together, see Section II(1) of the Council's "Recommendations for Fiscal Year 2005 Fish and Wildlife Program start-of-year planning budget," <http://www.nwcouncil.org/fw/budget/2005/fy05rec.pdf>.

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Fiscal Years 2007-09 project review process

This decision document represents the conclusion of the Council's project review process that has provided Bonneville with recommendations for projects to fund in Fiscal Years 2007 to 2009 to implement the Council's program. The process formally began on October 21, 2005, when the Council and Bonneville issued a joint solicitation for project proposals to implement the fish and wildlife program for these fiscal years, to begin in October 2006. With the solicitation, the Council also released a guidance document for potential project sponsors and others titled "Information and Instructions for the Development and Review of Proposed Projects to Implement the Council's Columbia Basin Fish and Wildlife Program, Fiscal Years 2007 through 2009." See <http://www.nwcouncil.org/fw/budget/2007/intro.pdf>; <http://www.nwcouncil.org/fw/budget/2007/guide.pdf>; see also <http://www.nwcouncil.org/fw/budget/2007/Default.asp> for all the documents posted on the Council's website related to the FY 2007-09 review.

By the deadline of January 10, 2006, project proponents submitted 541 proposals requesting a total of more than \$300 million per year in funding. The project proposals may be found at <http://www.cbfga.org/solicitation/components/forms/AllProposals.cfm?all=yes> or <http://www.nwcouncil.org/fw/budget/2007/province/Default.htm>. The requests totaled substantially more than the amount Bonneville agreed to make available for program funding in those fiscal years. See the discussion of the Bonneville budget commitment in the last section.

The ISRP reviewed all the proposals, issuing its *Preliminary Review of FY 2007-09 Proposals for the Columbia River Basin Fish and Wildlife Program* (ISRP Report No. 2006-4) on June 2, 2006. Among other things, the ISRP rated each project as fundable, fundable in part, not fundable, or requiring a further response, based on the panel's application of the statutory criteria. The ISRP preliminary report is at <http://www.nwcouncil.org/library/isrp/isrp2006-4.htm>.

The Council also identified a set of review groups that the Council asked to review the proposed projects for critical reasons other than scientific merit, particularly for consistency with the priority objectives and measures in the Council's program, especially its subbasin plans, and other key planning documents. The prioritization work of these groups was particularly important given that the amount of funding represented by the project proposals was so much greater than the amount of funding available. Thus for projects proposed to implement the subbasin plans in the tributary subbasins, specific mainstem reaches and the estuary, the Council identified state-organized review groups by ecological province. In the Review Guidance document issued in February 2006, the Council explained the review charge to the review groups in this way:

"Building on the local input that was captured in the subbasin plans adopted over the last year, the Council now seeks the input and advice from local groups throughout the Columbia basin on what proposals are of highest priority to begin implementing each subbasin plan over this three-year period. That is, the Council would like local groups throughout the basin to review the fish and wildlife proposals that have been submitted against the adopted

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subbasin plans they relate to, and provide the Council a proposed three-year suite of projects that represent the highest priorities of the subbasin plan for the next three years.

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“The Council is asking local groups to evaluate the proposals against the priorities set forth in the adopted subbasin plans. There are not additional or supplemental criteria that the Council is requiring local groups to consider. However, because it is possible, in fact likely, that many proposals will be consistent with a subbasin plan, and beyond that, also appear to propose activities that seem to be a priority under the plan, local groups can choose to develop additional standards for guidelines to help them prioritize competing proposals. For example, local groups may decide that proposals that benefit multiple species are favored; proposals that bring in substantial partnerships or cost-sharing may be favored; proposals that maintain an existing stream of fish and/or wildlife benefits may be favored, and so forth. These are only examples. Again, local groups should focus their prioritization efforts on the subbasin plans, but as they encounter multiple proposals that may be a priority under the plan they can take into account factors they deem important in developing prioritized project recommendations lists.”

http://www.nwcouncil.org/fw/budget/2007/guide_review.htm *see also*

<http://www.nwcouncil.org/fw/budget/2007/province/Default.htm>.

Working with the Council members and staff for each respective state, these review groups and the members for each state delivered project recommendations to the Council throughout the summer of 2006. The project recommendations came accompanied by lists of review participants and descriptions of the procedures, methods and criteria used to review projects and arrive at recommendations. These may be found at

<http://www.nwcouncil.org/fw/budget/2007/Default.asp>;

<http://www.nwcouncil.org/fw/budget/2007/reviews.asp>;

<http://www.nwcouncil.org/fw/budget/2007/province/stateprovdocs.htm>;

<http://www.nwcouncil.org/fw/budget/2007/id/Default.asp> (Idaho);

<http://www.nwcouncil.org/fw/budget/2007/mt/default.asp> (Montana);

<http://www.nwcouncil.org/fw/budget/2007/or/Default.htm> (Oregon);

<http://www.nwcouncil.org/fw/budget/2007/wa/default.htm> (Washington)

Working with the Columbia Basin Fish and Wildlife Authority, the Council also identified a review group called the Mainstem Systemwide Review Team (or MSRT) to review projects proposed for research, monitoring and evaluation and coordination that did not fit into any particular province -- called the “Basinwide” projects. For a description of this review team and the criteria and procedures it used to review these projects, *see*

<http://www.nwcouncil.org/fw/budget/2007/ms/process.pdf>. The MSRT delivered its final recommendations for these projects to the Council on July 27, 2006. *See*

<http://www.nwcouncil.org/fw/budget/2007/ms/0727.pdf>;

<http://www.nwcouncil.org/fw/budget/2007/ms/0727.xls>; *see also*

<http://www.nwcouncil.org/fw/budget/2007/ms/Default.htm> for all the documents relevant to this review group.

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Finally, the Council grouped together a set of projects proposals that fit neither into the Basinwide research, coordination and monitoring and evaluation group nor into a specific province into what became known as the Mainstem/Multi-Province projects. The Council staff organized a staff-led review of these proposals, as explained in the original review guidance. *See* http://www.nwcouncil.org/fw/budget/2007/guide_review.htm; <http://www.nwcouncil.org/fw/budget/2007/ms/Default.htm> (Staff memorandum to the Council of August 3, 2006, “FY 2007-2009 project review, Mainstem on the ground/multi-province category (Strawman project list with logic path, revised July 27, 2006).” The MSRT chose to review these projects as well. *See* above.

The Council provided other types of guidance for particular situations, topics, and reviews. For a list and links to all of the guidance provided by the Council to project sponsors, project reviewers and others for the FY 2007-09 project review process, *see* <http://www.nwcouncil.org/fw/budget/2007/guides.htm>.

The Council made the ISRP’s report, along with project proposals and information and priority recommendations from review groups, available to the public for review and comment, as required by Section 4(h)(10)(D). The Council circulated and considered these comments as received, accumulating the comments into the administrative record for the final decisions on the project funding recommendations for FY 2007-09.

The priority project recommendations from the review groups included project proposals that the ISRP had concerns about in its preliminary report. This included project proposals for which the panel requested further information before being able to reach a conclusion and project proposals that the panel rated as not fundable on the current information. For many of these project proposals, the Council requested that the project sponsor respond to the issues raised by the ISRP and then asked the panel to review the responses. The responses may be found at <http://www.nwcouncil.org/fw/budget/2007/reviews.asp?sort=Proposal&order=desc>; <http://www.cbfwa.org/solicitation/components/forms/AllProposals.cfm?all=yes>; for the concept of the response loop, *see* the original review guidance <http://www.nwcouncil.org/fw/budget/2007/guide.htm#schedule>; http://www.nwcouncil.org/fw/budget/2007/guide_review.htm.

The ISRP then reported to the Council with its final recommendations on these proposals on August 31. *ISRP Final Review of Proposals submitted for Fiscal Years 2007-2009 Funding through the Columbia River Basin Fish and Wildlife Program* (ISRP Report No. 2006-6 (August 31, 2006), <http://www.nwcouncil.org/library/isrp/isrp2006-6.htm>; for how the review applied to each project proposal, *see* <http://www.nwcouncil.org/fw/budget/2007/reviews.asp>. Many projects satisfied the ISRP’s concerns entirely, and a number of others did so in part. The ISRP continued to rate a few within the prioritized group as “not fundable” for a number of reasons, the implications of which are discussed later in this decision document.

With the final ISRP review report, prioritized lists of projects from the review groups, the project proposals, comments from the public and the other information in the record, the Council’s Fish and Wildlife Committee met on August 31, 2006, in Portland, and on September

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12, 2006, in Astoria, Oregon, to decide on draft project funding recommendations to forward to the full Council. During this period of time, Council members and the staff within the states worked to finalize the prioritization of the project recommendations in their areas to bring to the full Council for consideration, based upon consideration of the final ISRP report, the work of the review groups, comments from project sponsors and others, and the effects of Bonneville's late clarifications of its capitalization policy (which allowed certain projects to become eligible for capitalization and thus move to the capital budget, thus freeing expense funds to allocate to additional projects). See the Council's website links cited above for prioritization and project review information for each state.

The Council then met on September 13, 2006, during the Council's regularly monthly meeting to continue its discussion of the FY 2007-09 project review. Upon considering the ISRP report and recommendations, the project proposals, the review groups' prioritization, the Committee's proposed funding recommendations, and other comments and information in the record, the Council decided on a set of draft project and programmatic funding recommendations.

Although not required by Section 4(h)(10)(D), the Council released its draft recommendations for public review and comment until October 6, posting the draft funding recommendations on its website on September 15, and providing wide notice of their availability by mail and e-mail. The Council's draft project funding recommendations may be found at <http://www.nwcouncil.org/fw/budget/2007/draftrec/Default.asp>.

The Council received more than 125 comments on the draft recommendations. The staff as usual circulated copies of all comments to the members and relevant staff and placed the comments in the administrative record. Comments are posted at <http://www.nwcouncil.org/fw/budget/2007/draftrec/comments/Default.asp>.

At its October meeting in Helena, Montana, on October 18, 2006, the Council completed the FY 2007-09 project review process. The staff summarized the comments for the Council and presented a set of issues raised by the draft recommendations and the public comments. The Fish and Wildlife Committee reviewed the information first, and recommended a set of project funding recommendations and associated programmatic recommendations to the full Council, including a set of proposed changes to the Council's draft recommendations responsive to the comments and other considerations. After full consideration of its draft funding recommendations, the public comments on the draft recommendations, the ISRP report and recommendations and the comments on the ISRP's report, the project proposals, the review groups' prioritization, the Committee's proposed funding recommendations, and other comments and information in the record, the Council decided on the final project funding recommendations and programmatic recommendations to Bonneville for Fiscal Years 2007-09 described above in Parts 1 and 2.

Comments on the review process and the draft project funding recommendations -- merits of project proposals, prioritization recommendations, use of and reliance on review groups, Basinwide recommendations in particular, reserve amounts, ESA considerations, province

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recommendations. As noted above, the only public process required by Section 4(h)(10)(D) is that the Council release the report of the ISRP for public review and comment on the way to the Council's final project funding recommendations. The Council provided significantly more opportunity for public review and comment throughout the FY 2007-09 public review process than required by the statute, including opportunities to comment early on the Council's developing approach to the review process and the budget allocations, to comment on the project proposals, to comment on the review group prioritizations as well as the ISRP report, and, finally, to review and comment on the Council's draft project funding and programmatic recommendations.

The Council's obligation is to consider all the public comment along with the ISRP report, and it has done so. The Council staff circulated copies of all comments to the members and key central and state staff, included the comments in the administrative record, and summarized the comments and the issues raised in the comments several times for the members. The Council does not have an obligation to prepare a formal response to the comments. In this part of the decision document the Council is addressing a handful of key overarching issues about the process highlighted in the comments.

The vast majority of the comments received by the Council concerned the merits of individual project proposals, from project sponsors and from others, too. These were comments urging the Council to fund a proposal, or responding to ISRP criticisms of a proposal, or supporting or criticizing the decision of a review group to forward or not forward a proposal, or criticizing the Council for not including a proposal in the draft funding recommendations, and so forth. Given that the project proposals added up to well more than the available funding, even considering only the project proposals that passed the ISRP review and could be seen as consistent with the program, the Council had difficult prioritization choices to make in crafting the final project funding recommendations, a responsibility dedicated wholly to their judgment by that point.

Especially as the process moved toward the end, a number of the commenters questioned the Council's reliance on the review groups or, on the other hand, criticized the Council for not following the recommendations of the review groups. These comments assumed a status for the review groups that the groups did not have. The Council recognized the review groups and sought their assistance and recommendations for all the reasons described above. The review groups were a useful ad hoc tool that Council members and staff in the different states and then the Council collectively used to help the Council work through the project proposals, investigate the links between the proposals and the subbasin plan priorities and similar program elements, and make a preliminary set of priority recommendations. In some cases the review groups recommended a set of project proposals prioritized to the budget allocations; in other instances the review groups provided a list of all the project proposals for a particular area that could be considered consistent with subbasin plan priorities, adding up to well more than the budget allocation for that area. In either event, the Council had to make the actual prioritization decisions.

The review groups did excellent work, and the Council seriously the considered their recommendations, as it also did the report of the ISRP and the other comments the Council

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received. But the review groups are not part of the statute, and they and their recommendations had no particular legal status. Making the actual prioritization decisions and project funding recommendations rested with the Council alone. And toward the end of the process the Council had a wealth of information and considerations to be concerned with as the members shaped the final priority decisions, not just the review group recommendations, including as well the ISRP report, the provisions of the program, the comments received from project sponsors, key agencies and the public, the budget limitations, the implications of Bonneville's late clarification as to how its capital policy would apply to the project proposals, the implications of the delay in the schedule for completion of the FCRPS Biological Opinion (which is certain to require investments by Bonneville), the pace of developments on regional monitoring and evaluation and data management frameworks, and more. The statute required nothing more of the Council as it made its final project funding recommendations.

To work through one thread of the final project recommendation as an example -- the most frequent version of these comments urged the Council to follow the recommendations of the MSRT review group or criticized the Council for not following the recommendations of the MSRT when the Council decided on its draft funding recommendations for the Basinwide projects. The Council asked the Columbia Basin Fish and Wildlife Authority to help the Council set up the MSRT review group for this category, and the Council profited from the MSRT's review of the projects and its baseline recommendations. But again, the MSRT review group is not in the statute, it had no particular legal role or status in the project review process, and the Council owed no particular deference or obligation to its recommendations other than to consider them, which it did. The statute asks only a very few things of the Council in making its project funding recommendations; the Council simply went beyond the public process required by Section 4(h)(10)(D) in seeking the input of interested entities.

As the Fish and Wildlife Committee and then the Council entered into its consideration of the Basinwide projects, the members decided that the circumstances reasonably called for the consideration of a couple of overriding (and interrelated) approaches or themes. One concerned the need to bring some discipline to the expanding and increasingly expensive catalog of regional monitoring and evaluation and data management projects funded under the program, with even greater expansions proposed for funding in FY 2007-09. The Council and others in the region have been working hard to develop guiding frameworks for regional monitoring and evaluation and data management, but that work is not complete. The Council decided that the best course was to adopt interim funding recommendations at approximately the status quo levels for the monitoring and evaluation and data management projects while the Council worked out the appropriate scope and funding for program funding for regional monitoring and evaluation and data management through these regional efforts. The second concern was that the parties to the ESA litigation were still working on a new FCRPS Biological Opinion, and that opinion is likely to call for Bonneville, to avoid jeopardy, to fund a set of actions and monitoring and evaluation other than precisely what the Council was able to anticipate to avoid jeopardy, possibly well beyond. *See* Issue 1 in the programmatic recommendations above. Both these considerations (and others, such as a new approach to regional coordination that popped up in the project proposals that deserved further consideration) drove the Council to decide to hold down the funding levels for these ongoing Basinwide projects and hold back reserve amounts to apply to these needs as the rate period progressed. The Council also recognized a need to apply sufficient

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funding to the small set of projects engaged in ocean and near shore research as part of the Council's obligations to the program provisions on the ocean and to the consideration of ocean conditions required by Section 4(h)(10)(D). *See* below, in part 4. Accepting this approach and these considerations by necessity required the Council to move away from the MSRT recommendations, as the MSRT did not have these objectives and thus did not concern itself with or work to meet these considerations. The Council's overarching prioritization considerations are reasonably grounded in this record.

An explanation of the reasonableness of each individual prioritization decision (in the Basinwide and in the other project categories) is beyond the scope and need of this document. For further information concerning the project review and prioritization efforts particularly regarding the projects proposed in the provinces, *see* the citations to these documents on the Council's website, noted above.

A number of commenters were directly critical of the Council for proposing to hold back the reserve amounts. To the extent these comments reflected an opinion that the Council should ignore the Bonneville budget commitment, they've been addressed above. The commenters may also overstate the effective extent of the reserve amount. The total reserved in the Basinwide category in the October 2006 recommendations was only \$8.7 million total over the three years, or less than \$3 million per year. Approximately \$4 million of that will need to be dedicated to fish passage science and analysis, a category of the program on temporary hold waiting resolution of litigation, leaving not much more than \$1 million per year as a direct reserve in this category. Given the possible demands described above, a direct reserve amount of this level in the Basinwide category is certainly not excessive, and might not even be prudent were the other reserve amounts also not in existence. Those amounts -- the \$2 million unallocated placeholder, and the carryover at whatever final amount, bring the available reserve program-wide to approximately \$5 million per year, but also bring the realization of additional possible demands on that reserve. Especially with a Biological Opinion of the potential magnitude of the one being developed, and with the level of uncertainty as to expensive monitoring and evaluation and the ultimate extent of offsite habitat actions needed for ESA compliance, a reserve of \$5 million per year is a reasonable amount to hold for all these purposes. Commenters might have chosen differently, but the Council's decision is a reasonable choice on this record.

This does not mean the Council unduly focused on or deferred to ESA needs in framing its project funding recommendations, another topic raised in comments. The purpose in the Power Act for the Council's program is to protect, mitigate, and enhance fish and wildlife affected by the Columbia hydrosystem; Bonneville's responsibility is to use its fund to the same end in a manner consistent with the Council's program. This includes fish and wildlife affected by the hydrosystem that are listed under the Endangered Species Act and also subject to ESA requirements. It also includes, as an equal priority, protecting and mitigation for the adverse effects on key non-listed species. The Council's stated vision for its program is to mitigate across the basin for the adverse effects to fish and wildlife caused by the development and operation of the hydrosystem, providing the benefits from fish and wildlife valued by the people of the region, including abundant opportunities for tribal trust and treaty right harvest and for non-tribal harvest as well as the conditions that allow for the recovery of the fish and wildlife listed under the Endangered Species Act. The Council delivered project funding

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recommendations to Bonneville across this spectrum, including significant funding for projects directed toward important non-listed anadromous and resident fish species. Putting a high priority on projects and on a reserve to apply to additional projects to avoid jeopardy and work toward recovery is reasonable and consistent with the program's approach; so is the extensive level of funding support to projects benefiting non-listed species.

Part 4: Council explanations addressing the formal requirements of Section 4h(10)(D) of the Northwest Power Act

Part 4 contains the formal explanations by the Council responsive to the specific requirements of Section 4(h)(10)(D) of the Northwest Power Act. This includes the written explanations required of the Council in those few instances in which the Council's project funding recommendations do not follow the recommendations of the Independent Scientific Review Panel. The Council also explains how it complied with the requirements in Section 4(h)(10)(D) to "consider the impact of ocean conditions on fish and wildlife populations" and "determine whether the projects employ cost-effective measures to achieve program objectives" when making project funding recommendations.

Explanations as to how the Council responded to the recommendations of the Independent Scientific Review Panel

Section 4(h)(10)(D) requires the Council to "fully consider the recommendations of the Panel when making its final recommendations of projects to be funded through BPA's annual fish and wildlife budget." If the Council "does not incorporate a recommendation of the Panel, the Council shall explain in writing its reasons for not accepting Panel recommendations." Finally, "[t]he Council, after consideration of the recommendations of the Panel and other appropriate entities, shall be responsible for making the final recommendations of projects to be funded through BPA's annual fish and wildlife budget." The Council has carefully and fully considered the project review reports of the ISRP, and with the few exceptions explained here, the Council has followed the panel's recommendations in formulating the Council's project funding recommendations.

Programmatic recommendations

The ISRP provided the Council with a set of programmatic comments and recommendations in June 2006. How the Council responded to those recommendations is explained in the discussion of programmatic issues in Part 2, above. With two exceptions noted below, the Council followed the panel's programmatic recommendations. Almost all of the panel's programmatic recommendations concerned matters beyond the immediate context of the project funding recommendations for FY 2007-09 -- recommendations for how to improve the next project review process; recommended improvements in the reporting of project results; recommendations for in-depth reviews of certain program elements over the next couple of years; and so forth. To the extent the panel's programmatic recommendations had at least indirect relevance to the project funding recommendations for FY 2007-09, the Council has been responsive with, for example, interim funding recommendations pending an in-depth review of certain areas of the program, as explained in Part 2.

The two exceptions are also explained elsewhere. The ISRP recommended against continued funding of the Redfish Lake sockeye projects on a programmatic basis. The Council's response is explained below, in the responses to project recommendations. And, the Council differed with the panel over the extent to which all individual habitat projects should dedicate project budget

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money to the monitoring and evaluation of benefits to fish and wildlife, as explained above in Part 2, Issue 2.

Project recommendations

The ISRP reviewed the project proposals against the statutory standards (projects must be based on sound science, with expected benefits to fish and wildlife, consistent with program priorities, and so forth), and labeled a project as “fundable,” “fundable in part” or “fundable (qualified)” if the panel concluded that the proposal satisfied these standards in whole or for a significant portion of the project. The panel also provided comments on each project to explain the ratings. Many project proposals received two ISRP reviews -- the Council asked the sponsors of project proposals that implemented priority measures in the subbasin plans or other parts of the program to revise their proposals for further review when the ISRP (in its preliminary report) ranked a proposal as not fundable in its current form or needed further information about the original proposal.

In the end, the Council largely followed the ISRP’s recommendations. Nearly all the projects the Council is recommending to Bonneville for funding received one of the fundable ratings. With the very few exceptions explained below, the Council did not recommend projects that received “not fundable” ratings from the ISRP.

The Council did recommend for funding a number of projects that received ISRP recommendations of “fundable in part” or “fundable (qualified).” The panel accompanied these recommendations with explanatory comments such that a certain portion of a project proposal was not technically sound and should not be funded, or a project contained sequential elements and the panel found only the early steps justified, or the panel felt a sponsor needed to modify the proposal or produce certain information before implementation, or similar comments. The Council largely followed these panel recommendations and comments, reflected mostly in the project-specific directions to Bonneville and the project sponsors in the “comment field” for each project in the project tables. These include recommendations to address the ISRP concerns during contracting or during the next annual reporting cycle; or to fund only certain specified elements of a project proposal as per the ISRP recommendation; or to fund the project only after favorable ISRP and Council review of a revised proposal addressing the ISRP comments; or to fund the completion of an assessment or planning and design with further implementation conditioned on favorable ISRP and Council review (projects in the step review process received one version of that latter comment; *see* Part 2, Issue 7); or to provide interim funding pending resolution of more detailed program review, especially of the monitoring and evaluation framework, (*see* Part 2, Issues 2, 3, 9). The only significant exception to this pattern occurred when the ISRP qualified or conditioned or limited the fundable recommendation for a habitat project on the grounds of inadequate monitoring and evaluation elements. The Council has explained above why it decided not to accept these recommendations from the panel, in the Council programmatic recommendations regarding habitat projects and monitoring and evaluation (*see* Part 2, Issue 2). The project-specific explanations below address a few of the other ISRP “fund in part” recommendations where additional explanation seems warranted, although only two of these project recommendations actually represent the Council simply differing with the ISRP.

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What follows, then, are the Council's explanations for the few projects the Council is recommending for funding even though the ISRP rated them as not fundable (or partially not fundable and the Council is interested in continuing the part recommended against). The Council conditioned most of these funding recommendations in such a way as to require that the ISRP concerns be addressed before the projects actually receive funding, so the Council considers that most of these project recommendations are not in fact inconsistent with the ISRP's recommendations.

Note also that the Council is not providing similar explanations for the many projects rated "fundable" by the ISRP that the Council is *not* recommending for funding. The Council could not fund all the quality projects with the resources available, and so it decided not to fund many project proposals for reasons of priority and not because of a disagreement with the ISRP about the technical quality of the project.

Hungry Horse Mitigation (Project No. 199101901; Mountain Columbia Province). This is the Confederated Salish and Kootenai Tribes' portion of the overall effort devoted to mitigating the adverse impacts of Hungry Horse Dam on the Flathead River through habitat improvements, research, and monitoring and evaluation. The Montana Department of Fish, Wildlife and Parks has a companion project; the mitigation effort as a whole and both projects are priorities for the Council's program in the Mountain Columbia Province. The ISRP criticized the project proposal for a failure to report results and accomplishments sufficient to allow the panel to evaluate the value and progress of this project after 15 years of operation. Because of the priority nature of the Hungry Horse mitigation effort, and because the Council is confident this project is in fact accomplishing its objectives in large part, the Council is not interested in de-funding and closing this project. On the other hand, the ISRP's concerns are legitimate. So the Council is recommending continued funding, but conditioned on the project sponsor providing a revised project proposal by December 2006 that receives favorable ISRP and Council review. On this basis, the Council does not consider its continued project funding recommendation to be a rejection of the ISRP recommendation.

Secure and Restore Resident Fish Habitat (200200300; Mountain Columbia). This project seeks to protect and improve habitat conditions for fish in the Flathead River through land acquisitions and conservation easements as another part of the effort to offset losses due to the construction of Hungry Horse Dam. The ISRP rated this project proposal as not fundable for failing to include clear and specific objectives and to specify with sufficient detail the methods for addressing those objectives and for measuring progress toward attaining the objectives. Stated more simply, the panel concluded that the project sponsor, the Salish-Kootenai Tribes, need to develop more clear and specific selection criteria for potential land purchases and conservation easements. The panel did not find it necessary for the Tribes to disclose potential properties for purchase, only the logic path for making those decisions.

The subbasin plan for the Flathead identifies the protection of critical habitat for key resident fish populations of listed bull trout and westslope cutthroat trout as high priority. The Council believes this project remains a critical priority for addressing that objective, that is, for protecting the best remaining habitats and restoring slightly degraded habitats in Flathead watersheds that

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are important to the persistence of native fish, particularly bull trout and westslope cutthroat trout, addressing 11 of the 18 aquatic habitat limiting factors identified in the Flathead subbasin plan. Bonneville negotiated a Memorandum of Understanding in 2005 with the Tribes and the State of Montana to credit the fish habitat gains that result from acquisitions under this project against the construction and inundation effects of Hungry Horse Dam, one of the few such instances in the program. For all these reasons, the Council believes this project is too important to close. On the other hand, the ISRP's comments are persuasive that the project proposal needs to describe the selection criteria for acquisitions, in terms of addressing the objectives in the subbasin plan. For this reason, the Council is recommending continued capital funding for this project only on the condition that the project sponsors first submit to the Council, by December 2006, a revised project proposal responsive to the ISRP's concerns for Council review and approval.

Lake Roosevelt White Sturgeon Conservation Hatchery (200737200; Intermountain). The ISRP had significant concerns about the new sturgeon production ultimately represented by this project, and rated it as not fundable. This is an artificial production project that to be implemented must move through the Council's step review process before any decision is made to recommend actual production activities. Thus the only funding recommended by the Council for this project is to allow the project sponsor to develop a master plan for the proposed production, to be submitted to the Council by the end of FY 2008. Out-year funding for any further planning or implementation is dependent on a favorable step review of the master plan by the ISRP itself and the Council. It may be that the ISRP's concerns cannot be overcome, but the Council would like to see the conceptual planning fleshed out to a greater degree in the master plan and subject that to scientific review. Thus the Council's treatment of this project proposal is ultimately not at odds with the ISRP recommendation.

Kokanee production -- Spokane Tribal Hatchery (199104600); *Sherman Creek Hatchery* (199104700); *Chief Joseph Kokanee Enhancement* (199501100); *Ford Hatchery* (200102900) (all in the Intermountain Province); and *Banks Lake Fishery Evaluation Project* (200102800; Columbia Plateau Province). The ISRP rated a number of these production projects as "fundable in part," raising concerns about the level and methods for ongoing and proposed kokanee production. Responsive to the ISRP's concerns, yet seeking to continue consideration of kokanee production as a priority in the Intermountain plan, the Council's funding recommendation requires the project sponsors to hold a review workshop on kokanee production with the ISRP as soon as practical. The Council recommends that the funding for the kokanee production elements continue in FY 2007. The Council will revisit the funding recommendation for FY 2008 and 2009 following the workshop. In addition, the artificial production elements of the Chief Joseph Kokanee Enhancement project proposal trigger the Council's step review process.

Kalispel Tribe Resident Fish Program (199500100; Intermountain). The ISRP rated this project as a "fund in part," recommending against the project's ongoing rearing and release of bass. This is not a new issue. As the ISRP noted, the panel has made this same recommendation in the past, for the same reasons. The Council addressed the question of the use of introduced species in this part of the basin in the 1995 amendments to the Fish and Wildlife Program, and then directly addressed the ISRP's concerns about this project in particular in the development of

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the Fiscal Year 1999 Annual Work Plan. At that time, as with the current ISRP review, the ISRP was concerned about the interactions of introduced species and the loss of aquatic diversity, and about the long-term implications of such a project for the Council's program. The Council listened carefully to and understood the ISRP's concerns, and weighed the potential risks and benefits, and decided to continue funding for this project in the FY 1999 work plan. The Council concluded then that "the Council did accept into the Program the concept of resident fish mitigation in the blocked areas using non-native as well as native species in these altered ecosystems. Until and unless the Council changes the Program on this point, these initiatives will remain part of the Program as funded." The Council confirmed this direction in the adoption of the Intermountain Province plan into the program in 2005. Based on the consideration that the Council has provided to this issue in past, in both program amendment and project funding processes, the Council decided here again to continue the funding for this project.

Southern Idaho Wildlife Mitigation (199505702; Upper Snake). This is the Shoshone-Bannock Tribes' part of the overall Southern Idaho Wildlife Mitigation project, with both capital and expense elements. The ISRP rated the project as not fundable, concluding that the proposal simply did not include sufficient information on past accomplishments or proposed acquisition and operation and maintenance activities for the panel to evaluate its scientific merit, even in the response submission. The coordinated wildlife mitigation activities in the upper and middle Snake basin are a priority for the program, so the Council does not want to see this portion of that project brought to a close. On the other hand, the Council agrees that this project cannot go forward on this proposal. The Council conditioned continued funding on the submission of a revised project proposal that receives favorable review by the ISRP and Council. The portion of the expense funding that is for operation and maintenance is also subject to the same interim funding recommendation and programmatic review as all other wildlife land operation and maintenance funding recommendations. See Issue 9 of the Council's programmatic recommendations, in Part 2.

Malheur River Subbasin Habitat Restoration and Fish Enhancement / Stinkingwater (200717100; Middle Snake). The ISRP rated this new project as not fundable, concluding that even after allowing for a response, the project proposal does not justify the proposed land acquisition in terms of benefits to fish and wildlife. On the other hand, the project proposal addresses a priority objective for protecting important habitat in the middle Snake subbasin plan, and so the Council was reluctant simply to reject the proposal. The solution to this dilemma is in the following reality with regard to capital funding for this proposed project: Bonneville has been reluctant to fund acquisitions to protect fish habitat in the absence of an agreement with the project sponsor and relevant fish managers to credit in a quantitative way the benefits to be realized from the acquisition against hydrosystem impacts. The need for and extent of a crediting mechanism to be able to capitalize fish habitat acquisitions is one of the remaining issues about the use of capital that Bonneville and the Council need to work on. See Issue 6 in the programmatic recommendations in Part 2, above. But no matter how that issue is precisely resolved, this proposed acquisition will not move forward with capital funding without the project sponsor being required to produce further evidence of the benefits to fish to accrue from the acquisition, addressing the very issue that concerned the ISRP.

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Redfish Lake Sockeye Salmon Captive Broodstock Program (199107200) and Redfish Lake Sockeye Salmon Captive Broodstock Rearing and Research (199204000) (both Mountain Snake). In probably the most controversial recommendation by the ISRP this year, the panel recommended discontinuing the funding for the captive broodstock program for the Snake River sockeye listed as endangered under the federal Endangered Species Act. The ISRP did not base its recommendation on any technical deficiencies with the projects, but instead on the grounds that the trends in the adult returns of the sockeye population indicated little or no likelihood of long-term success in recovering the population.

The Council understands the reasons for and the seriousness of the panel's recommendation. The Council is not yet persuaded that the information is sufficient to declare that the effort to rescue the sockeye must end in failure, even if the investments are undoubtedly risky. Whether and when to continue with or call an end to the captive efforts to rescue the sockeye is a policy and legal call that rests with the Council, the project sponsors, the affected states, the ESA regulatory agency (NOAA Fisheries), and Bonneville. The annual project funding review process is not the place for such a momentous policy and legal decision -- this is a matter for a program amendment process under the Northwest Power Act and for the appropriate decisions within the ESA regulatory process. The Council and its partners in this effort are not ready to call the question on this effort at this time and in this way.

The ISRP recommendation for FY 2007-09 came out in June 2006 just as the Council was considering a within-year request from the project sponsor (the Idaho Department of Fish and Game) for \$2.7 million in additional funding in FY 2006 to renovate the hatchery facilities and increase sockeye production. Even though the ISRP's recommendation formally applied only to the proposal in FY 2007-09, the Council considered it prudent not to move forward on the request for additional funding in FY 2006 without some consideration of the ISRP's views during the June Council meeting in Boise, Idaho. The Council decided to move forward with the investment, for the reasons given here. *See* <http://www.nwcouncil.org/library/releases/2006/0614.htm>.

Idaho Supplementation Studies (198909800; Mountain Snake). This is a multi-agency effort to evaluate supplementation as a recovery/restoration strategy for spring/summer chinook in the Salmon and Clearwater subbasins. The ISRP noted the importance of the project, and supports its continued funding, but qualified its funding recommendation by recommending that funding beyond FY 2008 be contingent on the project sponsor reporting results from 2006 and 2007 returns, coupled with a presentation to reviewers. The Council decided to modify this recommendation by a year -- that is, to let the project continue as recommended through this rate period, and then require that the project address the ISRP concerns in the next project funding review, for funding beyond FY 2009.

Grande Ronde/Imnaha Endemic Spring Chinook Supplementation - Northeast Oregon Hatchery (198805301 and associated projects; Blue Mountain). In May 2006, the Council recommended that Bonneville fund the final design and construction (following the Step 3 review and approval) of the Nez Perce Tribe's Northeast Oregon Hatchery (NEOH). While the Council approved the final design and recommended that Bonneville fund the construction of the facilities out of available capital, the Council conditioned the approval on, among other things,

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the understanding that the projects associated with the annual costs for NEOH, including for project operation and maintenance and monitoring and evaluation, would be reviewed as part of the FY 2007-09 project review and prioritization process in the Blue Mountain province. The local review group did not recommend funding for the comprehensive monitoring and evaluation proposal that had been reviewed as part of the step review process, a monitoring and evaluation package proposed at approximately \$2 million per year. The review group recommended instead continued funding of production monitoring and evaluation for NEOH at approximately the current level and scope, which is about a third of the more expensive monitoring and evaluation proposal, on the grounds that the current monitoring and evaluation effort is sufficient, while the grander effort would take up so much of the province budget as to undermine the other coordinated production and habitat work in the basin. The ISRP's favorable recommendation for the project appears to be in part based on the panel's approval of the grander monitoring and evaluation effort. Without that, the ISRP would appear to recommend at most construction of the weir element to further the project's ability to monitor. The Council agreed with the recommendation of the local review group -- the prioritization of the lesser monitoring and evaluation effort at this time appears to be the best priority call on the strained Grande Ronde budget. The Council considers the monitoring and evaluation funding recommendation to be interim and subject to revision, as the Council intends to engage in a programmatic review of supplementation monitoring and evaluation as soon as possible, as part of the overall program monitoring and evaluation review described in Issue 2 of the programmatic recommendations, in Part 2 above.

Pittsburgh Landing Fall Chinook Acclimation (199801005; Blue Mountain). This project funds acclimation ponds and associated activities to supplement natural production of Snake River fall chinook above Lower Granite Dam through the acclimation and final rearing of chinook spawned at the Lyons Ferry Hatchery. The ISRP rated this proposal a "qualified" not fundable in that the panel found an associated monitoring and evaluation project proposal (199801004) to be deficient, and recommended not funding the acclimation project without improvements to the monitoring and evaluation plan. Meanwhile, the local review group recommended continuing with the acclimation project without funding the associated monitoring and evaluation project at all, as a lower priority on a tight budget and on the grounds that the acclimation project itself is simply the last step in a larger supplementation effort that is subject to extensive monitoring and evaluation. The Council accepted this priority decision. At the same time the Council recognizes that the program needs a thorough review of what is the right level of monitoring and evaluation for the supplementation activities across the program -- a review in terms of what is monitored and evaluated and where and in terms of what is the appropriate proportion of the budget to invest in monitoring and evaluation. See Issue 2 in the programmatic recommendations, in Part 2 above.

Umatilla Anadromous Fish Habitat (198710001; Columbia Plateau) and five other Umatilla production and habitat projects. Most of the coordinated habitat and production projects in the Umatilla subbasin received a "not fundable (qualified)" rating from the ISRP. The panel's recommendations did not result from the identification of technical deficiencies for each particular project; instead, the ISRP concluded that the projects in this subbasin need a thorough review of how they work together, even as this is a basin with a subbasin plan the ISRP approved and the projects all represent priority elements within that subbasin plan. Despite the "not

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fundable” aspect of the rating, the panel’s explanatory comments do not indicate the ISRP recommends discontinuing or severely limiting the funding for all these projects, as much as the panel seeks a comprehensive review of the basin’s activities before the next project review cycle. The Council’s final project funding recommendations for these projects thus call for the project sponsors to work with the Council and others to structure an ISRP/Council review of the coordinated subbasin activities in the Umatilla at some point in the next two years. This review should also be useful for insights into matters the Council needs to consider and accomplish in next program amendment process.

Yakima/Klickitat Fisheries Project Operation and Maintenance (199701325); Yakima/Klickitat Fisheries Project Monitoring And Evaluation (199506325); YKFP Management, Data, Habitat (198812025); YKFP Policy/Plan/Technical (199506425) (Columbia Plateau). The ISRP rated all these projects as “fundable (qualified),” but the panel’s explanatory comments were similar to those for the Umatilla projects above -- the ISRP seeks an organized funding review of the various YKFP pieces in the Yakima subbasin. The ISRP did not recommend that funding for the projects be put on hold pending the review. The Council’s final project funding recommendations call on the project sponsor to work with the ISRP and the Council and others to organize such a review, either by adapting the annual Yakima project review to this end or in a distinct review leading up to the next project review cycle.

Manastash Instream Flow Enhancement (200702000) Manastash Creek Passage & Screening (200300100) (Columbia Plateau). The ISRP gave these two projects a “not fundable (qualified)” ranking on the grounds that while adding flow, removing barriers and screening diversions have the obvious potential to be beneficial to fish populations, the project sponsor for these two projects failed here (and has failed in the past) to give sufficient evidence that these activities funded and to be funded actually produce evidence of benefits to fish. These recommendations present in perhaps the starkest terms the programmatic habitat project monitoring and evaluation issue addressed by the Council as part of Issue 2 in the programmatic recommendations (Part 2 above), in the sense that these concerns led the ISRP to a not fundable rating (usually the ISRP tagged this habitat monitoring and evaluation concern to a “fundable (qualified)” or “fundable in part” rating). To reiterate from the programmatic recommendations, the Council understands and will not ignore the concerns of the ISRP about the need for the program to be able to show actual benefits to fish and fish habitat from the myriad of habitat projects that, on their face, are doing what look like good things for fish habitat and are addressing priority stream reaches and limiting factors identified in the subbasin plans. But the Council is not persuaded that it makes sense to invest a great deal of the program budget in trying to identify that linkage through each individual habitat project, preferring instead to focus program efforts for the near term on a limited set of subbasin habitat monitoring and evaluation projects and on a set of broader regional projects to evaluate the effectiveness of on-the-ground habitat activities in producing improvements in habitat attributes and trends in fish and wildlife populations and habitat conditions. So the Council is recommending that funding continue for these projects in this rate period. At the same time, the project sponsor should make special efforts in its annual reports and in the next project review cycle to report anything that it possibly can as to the benefits to fish actually realized by these two projects.

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Willamette Basin Mitigation (199206800; Lower Columbia). As recognized by the ISRP, this project is a long-standing “integrative mitigation program” that protects, conserves, and restores areas containing diverse habitats that assist the life history needs and resources for multiple terrestrial and aquatic species in the Willamette Basin. The project proposes, in part, to acquire habitat, and the ISRP recommended funding for the acquisitions. Beyond that, however, the ISRP recommended funding for FY 2007 only to allow an assessment of past work, concluding that future funding of the active management component of the project should be conditioned upon a meaningful analysis of project accomplishments to date in terms of benefits to fish and wildlife. Because of the nature of the project, and of the ISRP’s comments, this project presents two different issues addressed in the programmatic recommendations -- the need for interim funding and review of the wildlife land operation and maintenance costs, and the difficulties associated with the monitoring and evaluation of benefits to fish and fish habitat resulting from projects intended to protect and improve habitat conditions. Given the on-going importance and priority of this project, and the fact that even the ISRP recognizes that this is part of a well-coordinated regional effort involved in activities that in general have the obvious potential to improve conditions for fish and wildlife, the Council is not willing to hold the funding for this project only to a level to allow for the completion of an assessment of past work. At the same time, the recommended expense funding for operation and maintenance should be considered interim, with a final recommendation pending the outcome of the wildlife land operation and maintenance review. In addition, the project sponsor should make special efforts in its annual reports and in the next project review cycle to report anything that it possibly can as to the benefits to fish and wildlife actually realized by the project that can be gleaned from the ongoing monitoring and evaluation efforts in the Willamette basin, as well as some assessments of what it would take to know more about the benefits to fish, assuming it is even possible.

Ocean Survival Of Salmonids (199801400, Basinwide). This is a project attempting to assess the role of the Columbia River plume and the “California Current” on the growth and survival of juvenile salmon from the Columbia River, in part in order to develop ocean condition indicators that can be used to forecast salmon returns and assess climate change impacts. The ISRP qualified a “fundable” rating for this project with a long list of questions and considerations for the project sponsor to take into account, although the panel stated explicitly it was not requesting a response to these questions at this time, nor did the panel condition its funding recommendation in any way on responses to these questions. And the panel recognized this as an “innovative project that has yielded new and critically needed information on how conditions in the ocean and plume affect salmon survival,” with a unique ecosystem approach to the questions. The Council decided that recommending funding for this project without conditions or qualifications is consistent with the ISRP’s recommendation, and directs the sponsor to consider the ISRP’s questions and considerations as the sponsor implements the projects, prepares the annual project reports, and prepares for the next project review cycle.

Acoustic Tracking For Survival (200311400; Basinwide). This project helps to fund, in partnership with other entities, the construction of a large-scale array intended to monitor directly the ocean movements and survival of Columbia River salmon, something that has not been possible before. The ISRP rated this as “fundable in part (qualified),” recommending (as it has in the past) a reduced level of deployment of the proposed acoustic tracking arrays (from four lines to one) until the results demonstrate “proof of concept” of the effectiveness of the open-

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ocean sites to detect tagged Columbia and Snake spring chinook. Earlier in 2006 the Council undertook a special ISRP/Council review of this project that culminated in March 2006 in a Council recommendation for a scope of work and budget for this project that roughly matches what the project sponsor also proposed for FY 2007-09. The Council understands the questions and concerns expressed by the ISRP then and now about this innovative research effort, and agrees with the panel that the project results ultimately have to demonstrate the proof of the underlying concept. But the Council concluded in March and it concludes now, for reasons more fully explained last spring, that allowing the project to develop the broader set of arrays is a better way to develop and prove what is a promising concept. And as discussed in more detail below, this project (as well as the one above) is one element of the Council's broad approach to improving its understanding of the effects of ocean conditions on Columbia River fish and wildlife populations, a consideration imposed on the Council in Section 4(h)(10)(D) of the Power Act.

Consideration of ocean conditions

Section 4(h)(10)(D) provides that "in making its recommendations" to Bonneville, the Council is to "consider the impact of ocean conditions on fish and wildlife populations." Congress provided no other guidance as to the meaning of this consideration. The Council's initial policy response to this charge came in an issue paper titled *Consideration of ocean conditions in the Columbia River Basin Fish and Wildlife Program* (Council Document No. 97-6; <http://www.nwppc.org/library/1997/97-6.htm>). This paper continues to guide how the Council responds to the direction to consider ocean conditions in its project funding recommendations.

Our regional understanding as to how ocean conditions affect Columbia River salmon populations in both the short- and the long-term both continues to increase and is still quite uncertain. Our increasing knowledge does include greater appreciation for the impact of the ocean on salmon abundance and the degree of variation in the marine environment. As species and as groups of populations (meta-populations), salmon are sufficiently productive under natural conditions to cope with the mortality, and the variations in mortality, they experience during that portion of the life cycle that takes place in the ocean. The key scientific principle guiding the Council's consideration is that salmon handle environmental variation throughout their life cycle and over time, including within the ocean portion of their lives, by having a broad array of biological characteristics within and between populations. This biological variation provides different options for salmon to survive environmental variability.

In addition, while the fish and wildlife program and projects cannot influence the ocean environment, actions can be taken to improve water quality and habitat in the estuary and near-shore environments. These transition zones are critical to the survival of young salmon.

Consequently, the three primary ways the fish and wildlife program can take into account ocean conditions in general and also influence salmon survival in the ocean are to evaluate proposals and fund actions (1) to further improve our understanding of the effects of ocean conditions on salmon populations; (2) to improve productivity and preserve and extend life-history diversity in salmon populations; and (3) to improve estuarine and near-shore conditions.

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The Council's program embodies these goals, with provisions in the basinwide portion of the 2000 program and in the 2003 mainstem amendments specifying a scientific foundation, relevant biological objectives, habitat strategies, and estuary and ocean strategies; in the objectives and measures to improve estuary and near-shore habitat in the subbasin plans for the estuary and lower Columbia; and in the provisions in the other subbasin plans throughout the anadromous parts of the basin to improve productivity and support and extend life-history diversity.

In this project review process, the Council, with the assistance of the ISRP, the project sponsors, the review groups and others, reviewed proposals and decided on funding recommendations related to all three elements: projects that should directly increase our understanding of what happens to Columbia River salmon in the ocean; projects to improve habitat conditions in the estuary and near-shore; and numerous projects across the subbasins to protect, improve, and extend habitat conditions for a diverse set of salmon and steelhead populations and life-history types. The Council has particularly relied upon the expertise of the ISRP to evaluate project proposals for these three purposes. By virtue of the provision in the Power Act, the ISRP has been evaluating the scientific soundness and benefits to fish of the project proposals, and also assessing the consistency of the project proposals with the provisions of the program -- provisions and scientific principles and objectives and measures at all levels of the program intended to support the preservation of and improvements in productivity and life-history diversity, to improve conditions in the estuary, and to learn more about and consider the effects of the ocean. The projects that support productivity and diversity are too numerous to catalog, but the estuary and ocean projects include investments of more than \$16 million in the following projects over the 2007-09 three-year rate period:

- Columbia River Estuary Habitat (Project No. 200301100 -- \$3,048,000)
- Lower Columbia River and Estuary Ecosystem Monitoring (200300700 -- \$1,233,000)
- Expand Salmonid Monitoring in Grays River to Meet Monitoring Needs Identified in the Lower Columbia Salmon Recovery and Subbasin Plan (200715000 -- \$697,300)
- Grays River Watershed Restoration (200301300 -- \$601,612)
- Ocean Survival Of Salmonids (199801400 -- \$6,511,800)
- Canada-USA Shelf Salmon Survival Study (200300900 -- \$574,992)
- Acoustic Tracking For Survival (200311400 -- \$3,600,000)

In addition, a number of the tagging projects provide information about ocean survival, especially the coded-wire tag program (Project Nos. 198201301, -02, -03, -04) funded at \$2.8 million per year. With regard to projects proposed for ocean research and estuary habitat, the Council carefully followed the recommendations of the ISRP in shaping the final project funding recommendations.

The Council's investment in ocean, near-shore and estuary research and habitat improvements is one part of a larger regional effort and investment. Federal and state agencies and regional universities similarly invest resources in this area, as highlighted by a \$19 million grant just in August 2006 from the National Science Foundation to a regional university partnership to monitor changes in the river below Bonneville Dam and study how these changes affect conditions in the estuary, river plume, and near-shore. One of the challenges for the

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Council's program is to coordinate the activities funded under it with related work funded by others.

Cost-effectiveness

Section 4(h)(10)(D) further provides that in making the project funding recommendations, the Council is to "determine whether the projects employ cost-effective measures to achieve program objectives." As with the command to "consider ocean conditions," Congress did not provide any further explanation or guidance as to the meaning of this provision. The legislation did not specify any particular approach to cost-effectiveness analysis or define in any particular what is meant by a "cost-effective measure." The provision does not require, for example, the use of a single measure of biological effectiveness as a basis for comparison among projects, nor the use of strictly quantitative analysis. And while the logic of the Council's program might focus most of the cost effectiveness analysis among and between project proposals, the literal wording calls for a cost-effectiveness analysis only *within* projects, that is, whether any particular project employs the best of possible alternative methods to meet its objectives.

Given this context, the Council has worked over the years to understand the state of the art in natural resource economics and cost-effectiveness analyses to help guide the Council in making the determination required. Soon after Congress adopted this amendment to the Power Act in 1997, the Council, with the help of its staff economists and its newly-formed Independent Economic Analysis Board (IEAB), developed an approach to the cost-effectiveness analysis in a document titled *Methods of Economic Analysis for Salmon Recovery Programs*, Council Document No. 97-12 (July 1997) ("methods analysis"). The Council first used this methods analysis to initiate the cost-effectiveness determination in the project review process for Fiscal Year 1998. It remains the basis today for the analysis and determination.

The methods analysis concluded that several problems make it difficult for the Council to undertake a quantitative cost-effectiveness comparison between Columbia River fish and wildlife projects using a single, quantified measure of benefits to determine which projects produce the greatest benefits per dollar. The problems include the lack of agreement on measures of biological effectiveness; the fact that the complex life-cycle of anadromous and resident fish makes it difficult to isolate the biological effects of particular activities or to compare different biological effects of different kinds of projects; and the fact that in the prioritization process, different project sponsors propose vastly different types of activities, and thus different kinds of cost and economic information, which makes cost comparisons difficult.

These observations remain valid. Based on the methods analysis and the IEAB's concurring advice, and on the intervening years of experience, the Council continues to conclude that it is not able to undertake a classic, quantitative cost-effectiveness comparison of the projects, primarily due to the fact that we cannot directly quantify improvements (and especially direct projected improvements) to fish and wildlife populations in a single biological objective measure resulting from the physical effects of particular projects. There are sound reasons to believe projects produce benefits to fish and wildlife, as explained below, but not in a directly predictable single quantity. A quantitative cost-effectiveness comparison would require a far

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greater understanding of the direct biological effectiveness of individual actions than we have now.

The methods analysis noted, however, that there is much more to cost effectiveness than a quantitative comparison of the costs of alternative ways to achieve a single biological objective. Much can be done to review the efficiency of projects, to improve the likelihood that the projects selected will be the most cost effective, and to improve project management. Cost-effectiveness review drives toward procedures for project review, selection, and management that emphasize efficiency and accountability.

Based on these considerations, the methods analysis recommended four strategies to improve the likelihood that the projects recommended for funding are those that employ cost-effective measures to the greatest degree:

- Strategy 1: The best assessment of the effectiveness of fish and wildlife projects comes from the review by the Independent Scientific Review Panel (ISRP).
- Strategy 2: Improve the amount, quality, and comparability of project cost information.
- Strategy 3: Evaluate the record of existing projects over time. Projects that have been ongoing for some time should have yielded some measurable effects or have contributed some concrete addition to the region's knowledge about fish and wildlife problems.
- Strategy 4: Introduce selective audits on projects, oriented toward determining whether the contracting process contains the procedures necessary to manage the project's cost and effectiveness.

The Council's experience over the years has added to or elaborated on this set with three further strategies: (1) clarify, specify, and quantify program objectives as much as possible; (2) develop other elements of project review besides ISRP review that also provide accountability benefits; and (3) flag certain projects and programs for more in-depth review of benefits and costs.

The Council has employed all of these strategies in the project review process for FY 2007-09, as summarized here:

Clarify and make more specific program objectives

The methods analysis and the Council's past determination have emphasized the obvious, which is that cost-effectiveness analysis of the project proposals will always be improved by a better defined set of biological objectives in the Council's fish and wildlife program, possibly even allowing in the future for at least a multi-variable quantitative cost-effectiveness comparison of projects as described in the methods analysis. From 2000 through 2005 the Council did just that, reshaping the program into a comprehensive framework of goals, objectives and strategies, tied together with a consistent scientific foundation, at each level of the program. The effort began with the establishment of the program framework and its largely qualitative, basinwide goals and objectives in the 2000 Columbia River Basin Fish and Wildlife Program, but the most important step was the adoption of the nearly 60 subbasin plans, each with

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a quite specific set of objectives and priorities. The Council required project sponsors to explain how their project proposals furthered these subbasin plan objectives and priorities, which the review groups, the ISRP and the Council could then review for consistency.

The work of clarifying and specifying the program's objectives is not complete. The level and type of biological objectives that would be most useful for a quantitative evaluation of the program's progress, and most improve the cost-effectiveness analysis of project proposals, is also the hardest to achieve -- quantitative population, production, and habitat objectives at the scale of the ecological provinces and major population groupings. The Council continues to work toward that goal, most likely trying to bring it to fruition in the next program amendment cycle in 2008. Even completing this step will not ensure that a quantitative cost-effectiveness comparison will be possible for the annual project selection process. The challenges in quantifying expected benefits of proposed, discrete projects will remain even if the program's overarching objectives are clarified and quantified.

ISRP review

The purpose of the ISRP review is to provide an independent scientific assessment of the biological effectiveness of the proposed projects. The panel's statutory charge is to make recommendations to the Council based on a determination that projects are "based on sound scientific principles; benefit fish and wildlife; and have a clearly defined objective and outcome with provisions for monitoring and evaluation of results," while also reviewing for consistency with the objectives and priorities in the Council's program. The panel reviewed all 541 projects proposed for funding in FY 2007-09; many of the projects recommended for funding received *two* reviews, having an opportunity to address deficiencies identified by the panel in the first review. With very few exceptions, explained above, the Council closely followed the ISRP's recommendations, especially the recommendations not to fund projects in whole or in part because not based on sound science, or lacking clear benefits to fish and wildlife, or failing to show adequate results from past implementation, or failing to show consistency with the priority objectives in the subbasin plans. No part of this review process is more important than the ISRP review to ensuring that projects are as likely as possible to be effective in meeting program objectives.

Other aspects of project review consistent with the cost-effectiveness strategies described above -- information and review of benefits and costs

A number of other aspects of the project review process for FY 2007-09 are consistent with the other strategies described above, including other elements of the project review process that address project effectiveness and accountability, improved cost information, in-depth project reviews, and project audits. These are summarized as follows:

- Review against specific priority objectives in subbasin plans and other aspects of the program. As noted above, a critical element in the project review process was the review of projects against priority objectives stated in the subbasin plans adopted into the program, in other elements of the program, and in the key ESA plans and programs. This aspect of the ISRP review has been noted above, but it permeated all aspects of the

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project review process, from the solicitation through the proposal guidance given to the project sponsors and the review guidance given to the review groups and the ISRP, through the reviews by these groups and the Council. Use of review groups with members instrumental to development of the subbasin plans has been an important element in ensuring consistency, backed by the independent review of the science panel.

- Improved information on costs and benefits and results. The Council continued its efforts in this project review process to bring to bear better and more specific information on proposed work elements, costs, expected benefits, and past results. The Council and Bonneville required project proposals to be separated into specific work elements, with direct costs clearly associated and broken down in various categories for each work element, and with expected results and benefits clearly stated, as much as possible in a consistent set of metrics developed by Bonneville for use with its Pisces computer program. Breaking the work elements in this way will allow for improved project and budget management and the reporting and evaluation of project results. More important for this review, it also has allowed the project sponsors, the review groups and the Council to cull in a systematic way the work elements and budgets in project proposals and project funding recommendations to fit the priorities identified by the review groups or respond to concerns expressed by the ISRP. In addition, the IEAB recently briefly reviewed the status of the information available in the fish and wildlife project proposals for FY 2007-09 and in the Pisces data base. The IEAB found that this initiative holds significant promise in eventually allowing the Board, Council and Bonneville to approximate the costs of different strategies to meet related or similar objectives in a way that could support cost-effectiveness analysis or cost benchmarking, even as the quality of information right now is variable and Pisces itself is a project management tool and not designed intentionally for economic analysis. *See A Scoping Investigation of Available Project Information*, IEAB Report No. 2006-02 (June 2006), <http://www.nwcouncil.org/library/ieab/ieab2006-2.htm>.

The project proposal forms also emphasize the reporting of past results for ISRP and Council review of ongoing projects. The ISRP noted that some projects are not living up to the standards for reporting results. The Council has a programmatic recommendation on project reporting to ensure this no longer happens. *See Part 2, Issue 2.*

- In-depth project reviews. The Council decided that certain elements of the program and the project proposals need further review in order to determine which activities deliver the greatest benefits at the least cost and are a priority for funding. This is particularly true of the monitoring and evaluation and data management elements of the program, which are essential to understanding and evaluating the results of the program and the expected value of proposed projects, but which also are claiming a greater and greater share of the program budget without a clear framework for determining which monitoring and evaluation and data management activities are of most value to support. Operation and maintenance activities and costs for wildlife land acquisitions and the wide variety of fish tagging programs also have been singled out for additional review. The Council recommended only interim funding for these projects, and held them to past levels, pending these reviews. *See Part 2, 3 and 9.*

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- Step review. One of the methods the Council developed many years ago to bring increased scrutiny to costs and benefits in the interest of ensuring cost-effectiveness is the “step review” process for new production initiatives. These projects tend to be some of the most capital-intensive in the program, and are also those that usually require several years to move from concept to operation. In order to bring budget discipline to these larger projects, and reduce the possibility that large investments are irretrievably committed at early concept phases, the step review process segments these proposals into the three discrete phases or steps of conceptual planning, preliminary design, and final design and construction. Each step of the process requires scientific and public review and then Council approval. The Council approves funding only for the phase or step that the project is in, rather than for all phases. The Council is continuing the step review process, with plans for improvements or revitalization to ensure the reality of the review process is true to the concept. *See* Part 2, Issue 7.
- Comprehensive review of operation and maintenance funding. The Council is embarking on a comprehensive review of the increasing operation and maintenance cost burden that the program is carrying. There are a number of objectives for the review, but one objective is to investigate alternative ways to achieve the necessary operation and maintenance at less cost. *See* Part 2, Issue 9.
- IEAB guidance. The Council continues to seek the guidance of the IEAB in how to implement the program in a way that delivers greater benefits for the same or less cost. Another recent example is the IEAB’s June 2006 report, *A Scoping Investigation of Approaches to Preserving Habitat*, IEAB Report No. 2006-1 (<http://www.nwcouncil.org/library/ieab/ieab2006-1.htm>). The report analyzed the attributes of different approaches that have been used and could be used to acquire and preserve habitat and described criteria that should be used to evaluate the cost-effectiveness of the alternative methods.