

Melinda S. Eden
Chair
Oregon

Joan M. Dukes
Oregon

Frank L. Cassidy Jr.
"Larry"
Washington

Tom Karier
Washington



Jim Kempton
Vice-Chair
Idaho

Judi Danielson
Idaho

Bruce A. Measure
Montana

Rhonda Whiting
Montana

Council Meeting Portland, Oregon

March 15-17, 2005

Minutes

The meeting was called to order by Council chair Melinda Eden at 1:35 p.m. on March 15 and adjourned at 11:00 a.m. on March 17. Judi Danielson was not present at the meeting.

Reports from Fish and Wildlife, Power and Public Affairs committee chairs:

Rhonda Whiting, chair, fish and wildlife committee; Tom Karier, chair, power committee; and Larry Cassidy, chair, public affairs committee

Rhonda Whiting, chair of the Fish and Wildlife Committee, said that the committee reviewed ongoing projects and heard a presentation on adult returns and harvest planning for 2005. We also received a status report on development of the PISCES project contracting data base from Bonneville, she reported.

Tom Karier, chair of the Power Committee, said the committee discussed Council membership in Grid West and the question of how much support Bonneville should provide to the DSIs in the next rate case. The committee heard an update on work related to the wind power provisions of the Power Plan, he noted. Staff is gathering information on wind issues, such as how it can best be integrated into the Northwest system, Karier said. The group also got a report on the first workshop held on demand response since the Power Plan was adopted, he stated.

Larry Cassidy, chair of the Public Affairs Committee, reported that the committee had a demonstration of the Council's website, approved a work plan for the public affairs staff, and discussed Energy NewsData publications.

Staffer Mark Walker reported on a trip he and Eden made to Washington, DC to meet with the Congressional delegation and the Council on Environmental Quality. He noted that the delegation had found the Council's analysis of the effects of the proposal to change Bonneville's rates to market rates extremely helpful. Karier suggested staff should do an analysis of the impacts of the proposal to cap Bonneville's third-party debt, and other Council members concurred.

1. Council decision to release for public comment issue papers

Mark Fritsch, manager, project implementation.

– Klickitat Subbasin Anadromous Fishery Master Plan - *YKFP-Klickitat Design and Construction*, Project #1988-115-35

Staffer Mark Fritsch described an issue paper on the Klickitat Subbasin Anadromous Fishery Master Plan, which staff recommends the Council approve for release to the public for comment. The master plan, submitted by the Yakama Nation, proposes supplementation and natural production efforts in the Klickitat subbasin for spring chinook and steelhead, while maintaining a focus on harvest augmentation for fall chinook and coho, he said.

The staff will review comments received on the paper and come back to the Council in July with a recommendation on the master plan, Fritsch stated. The Yakamas are taking operational rights to the Klickitat Hatchery and want to upgrade it, he explained. Cassidy urged support for the master plan, noting that the Klickitat is one of the rivers where fish populations can be expanded. Bill Sharp, representing the Yakama Nation, said the plan will help in the goal of doubling the runs by 2010. The Council agreed to release the issue paper.

– Sekokini Springs Natural Rearing Facility and Educational Center Master Plan - *Hungry Horse Mitigation*, Project #1991-019-03.

Fritsch described a second issue paper on the Sekokini Springs Natural Rearing Facility and Educational Center Master Plan, submitted by the Montana Dept. of Fish, Wildlife and Parks (FWP), that would aid in the recovery of genetically pure westslope cutthroat trout populations in the Flathead River drainage. Brian Marotz of Montana FWP told the Council he is responding to requests for information on the project from the Independent Scientific Review Panel (ISRP) and that the information would be supplied by the deadline set by the ISRP. The master plan is an opportunity to have a keystone restoration facility for cutthroat trout and to educate the public about Montana fish in their natural habitat, Marotz stated.

Karier asked if the Council has a policy about visitor centers at such facilities and if there is ever cost sharing in those instances. It's an issue that needs to be more clearly defined, and maybe the Council should try to do that, replied Fritsch. The Council approved release of the paper.

2. Council decision on production project implementation

Mark Fritsch.

– Step 1 review of the *Chief Joseph Dam Hatchery Program (CJDHP)*, Project # 2003-023-00.

Fritsch presented a staff recommendation for the Council to approve Step 1 Review of the master plan for the Chief Joseph Dam Hatchery Program, submitted by the Colville Tribes, noting that approval would enable the program to proceed to Step 2 activities. Joe Peone, director of fish and wildlife for the Colville Tribes, made a presentation on the master plan, which, he said, is to support the conservation and harvest of Okanogan chinook salmon. He explained the need for the program, its goals, and the Step 2 activities that are planned. When do you anticipate Step 2 being done? Eden asked. In 18-20 months, Peone replied.

Fritsch explained that the Council's approval would provide \$349,000 in capital funds from Bonneville for two research studies and also enable the plan to include a spring chinook component. He described the comments received on the plan and also its future projected costs, which could be over \$28 million, excluding monitoring and evaluation (M&E). Fritsch said the Council's fish and wildlife committee had expressed concern about the costs, and he noted that the master plan will include a value engineering review. Bruce Measure asked what such a review would do. It would provide an outside review and may identify efficiencies and ways the project could do things more cost-effectively, replied Fritsch. Is it a cost containment effort? Measure asked. It provides us with the confidence that what we get for the dollars has been scrutinized by an outside entity, replied Fritsch.

What audit, cost control, and cost-comparison measures are in place to make sure we get a good product for what is spent? Measure asked. The Council step review process enables the Council to check in on the costs of projects periodically, stated staffer Doug Marker. We have used value engineering before to get opinions from outside experts, and it is a cost containment strategy, he said. But the overall contract process is overseen by Bonneville, Marker noted.

Measure said that there are plans to attempt to do cost sharing, but he asked, "are there requirements to do it, or a way to assess other stakeholders so they pay some of the costs?" That isn't a requirement in the master plan, replied Fritsch. We have asked the project sponsor to outline plans for cost sharing during the Step 2 process, he added.

Peone told the Council the Colville tribes will work with Douglas, Chelan, and Grant PUDs to solicit their help with the proposed hatchery. The Bureau of Reclamation "is pointing back to Bonneville as to who is obligated for this, but we'll work with them too," he said. As we do these projects, we need to start being innovative in finding ways to save some dollars and do cost sharing, Measure stated.

Cassidy said he has suggested before that the Council develop a cost-sharing policy. I think this master plan is needed, and the Colvilles have a good track record of smolt-to-adult returns, he stated. I strongly support moving this project forward, Cassidy said.

I fail to see why research studies for a hatchery are capital expenditures when in the past we have been told they are not, Eden commented. Does any Bonneville person have an answer to that? she said. Not at this time, replied Bill Maslen of Bonneville. We are trying to develop a decision tree on this process and will report back to you, he added. That would be very helpful, responded Eden.

Jim Kempton moved that the Council approve Step 1 review of the Master Plan for the Chief Joseph Dam Hatchery Program, including the spring chinook component and the two research studies, and proceed to Step 2 activities; and recommend that Bonneville provide an additional \$349,000 in FY 2005 capital funds for these activities, as well as to address issues raised by the ISRP. Cassidy seconded, and the motion passed unanimously.

– Step review for Re-introduction of Lower Columbia River Chum Salmon into Duncan Creek, project #2001-053-00.

Fritsch presented a recommendation regarding the conditions that had been placed previously on a fish and wildlife project, and he reported those conditions have now been met. Kempton

moved that the Council confirm that the conditions placed on Project 2001-053-00, Reintroduction of Lower Columbia River Chum Salmon into Duncan Creek, have been satisfactorily addressed. Karier seconded, and the motion passed unanimously.

3. Council decision on habitat projects for Bi-Op Implementation

Mark Fritsch.

Bonneville is requesting \$635,520 for nine habitat projects to implement the Biological Opinion (BiOp), but has not provided us information we can give to the ISRP to review, said staffer Doug Marker. Two of the projects need to be contracted for in March if they are to be useful, he stated. Because of the short time frame, we recommended Bonneville bring all the projects to you as a package, Marker told the Council. Staff recommends you give these projects conditional approval so they can go forward, with the proviso that if the ISRP review is negative, the contracts could be pulled back, he said.

This is a pretty good list of projects – most of them are on-the-ground, direct-benefit projects, and it's useful to have the ISRP review them too, said Tom Karier. Having such a large cost-share and a cap on the budget sets a good precedent for new projects, he added.

Staffer Tony Grover noted that this is the first round of BiOp projects. There will be additional rounds of projects, but this batch of projects needs a fast track, he said. Jim Kempton suggested the Council stipulate that after the ISRP review, the projects would come back to the Council for approval. Would we stop these projects from being done in 2005 if we don't approve them today? Joan Dukes asked. There are two projects that need to be contracted for in March, replied staffer Mark Fritsch.

Why are we in this time crunch? Dukes asked. This is the first of the challenges we face with the BiOp and its consultation process, which is not in full synchrony with the Council's process, replied Bill Maslen of Bonneville. In 2006, this should fold into the planning process more easily, he added.

Who would pay if a project were approved and begun, then had its contract rescinded due to a negative ISRP review? Dukes asked. If we put a stop order on the contract, we'd pay – it's a pretty standard thing, replied Maslen. With these projects, I think the likelihood of a negative ISRP review is low, he added. We've worked hard to touch bases and develop these projects, and we want to report strong progress in carrying out our obligation under the BiOp, Maslen stated.

I suggest we follow the statutory language and recommend that the ISRP review the projects and then decide whether to approve them, said Kempton. I agree, stated Dukes. "I'm hesitant to jump out ahead of the scientists," she said.

Scientists from NOAA Fisheries and the U.S. Fish and Wildlife Service (USFWS) and others have reviewed all these projects – there's been an immense amount of scientific review, noted Grover. Here we have the rare combination of fish-beneficial projects and willing landowners, he stated. I urge the Council to consider that getting these projects on the ground will help fish sooner, Grover said.

The Washington Salmon Recovery Funding Board (SRFB) reviewed these projects, and they got flying colors, stated Larry Cassidy. He suggested the Council approve the two projects and have those sent to the ISRP right away.

We knew about these projects last month – why weren't they sent to the ISRP then? Melinda Eden asked. To have Bonneville bringing stuff to us at the last minute – “it's déjà vu all over again,” she added. I'm uncomfortable with moving forward this way, Eden said. I think we should send the projects to the ISRP for review and then vote on them by phone, she stated.

We don't want to stop these good projects, said Karier. This is how the federal agencies show good faith in implementing the BiOp, he stated. We want to demonstrate that these actions are reasonably certain to occur, said Maslen. We have tried to shape this to meet the time constraints, but we couldn't get the ISRP review done prior to today's meeting, Marker stated.

Staffer John Shurts said it is important for the Council to see the ISRP review and suggested the two projects be segmented off from the others. We can look at doing that, but we don't know when it might become a high risk of our appearing not to be executing successfully under the BiOp, Maslen said. The two projects, he noted, are funded 80 percent by the SRFB and 20 percent by Bonneville, and they raise the issue of what kind of science review is needed for cost-shared projects.

We made it clear we wanted these projects to go through ISRP review last month, Eden said. The Council has a process for making recommendations to Bonneville under the Power Act that it needs to follow, stated Kempton.

Karier suggested the two projects be approved, contingent on a favorable ISRP review, with final Council approval to occur in a follow-up phone call. Maybe there could be a similar process for the other projects, he said.

Does Tom's proposal meet statutory obligations? Bruce Measure asked, and Shurts replied yes. So we could make an exception here, but not change the policy, said Rhonda Whiting. Would these projects go forward if the Council were to withdraw its approval? Dukes asked. If the probability of their achieving Endangered Species Act (ESA) objectives is high, the answer is yes, replied Maslen.

Dukes asked why, if there was a lot of detailed information available about these projects, it couldn't have been sent to the Council earlier. There's a wealth of scientific detail to back up these projects, said Grover. We had to reformat all the information to meet the ISRP's needs, and it took a lot of time, he noted.

Kempton moved that the Council recommend that Bonneville allocate an amount not to exceed \$268,000 in FY 2005 funds for the habitat proposals defined in the March 8, 2005 submittal from Bonneville, specifically the Fulton Diversion Project and the Chewuch Diversion Project, subject to favorable ISRP review and confirmation by the Council. Cassidy seconded, and the motion passed on a split vote. Cassidy, Karier, Kempton, Whiting, and Measure voted yes; Eden and Dukes voted no. Judi Danielson did not attend the meeting.

With a little more work, the information could have gone to the ISRP last month, said Eden. I'm not interested in encouraging a regression to the days of getting last-minute information from

Bonneville that occurred when I first came to the Council, she stated. The law's the law, and when you try to get around it, even for a good purpose, you become irrelevant, commented Dukes.

What about the other projects? Cassidy asked. We'll send information on them to the ISRP, Marker replied. Karier asked Bonneville to keep the Council informed on the status of contracting work associated with all these projects

4. Update on Conservation Funding Issues

Tom Eckman, manager, conservation resources; and Charlie Grist, senior analyst.

Council representatives met with Bonneville March 3 to discuss conservation budgets, targets, and acquisition mechanisms, reported staffer Charlie Grist. We are looking at Bonneville's process to see if there's enough money to accomplish the conservation goals set out in the Council's Fifth Power Plan, he said. Bonneville has not yet released a proposal on post-2006 conservation funding, Grist noted.

The Power Plan has a target of achieving 140 aMW of conservation per year between 2005 and 2009, he said. Failure to achieve conservation targets would expose the region to substantially higher costs and risk, and Bonneville and its customer utilities are an important part of the solution, according to Grist. He showed a slide representing Bonneville's share of the five-year annual average regional conservation target and said that Bonneville has indicated, based on its 40 percent of regional load, it will achieve 56 aMW. But if you add in Bonneville's IOU exchange load and IOU exchange benefits, Bonneville's share of regional load becomes 49.5 percent, or 69 aMW, Grist told the Council.

This information should be highlighted, commented Karier. Bonneville has committed to provide the Conservation and Renewables Discount for exchange loads, he said. I think 69 aMW is the right amount to represent Bonneville's share of the regional target, Karier stated. "No matter how you look at it, Bonneville is short," Grist commented. Bonneville's planned conservation targets for FY 2005 and 2006 are 44 aMW, and there will be a considerable deficit to make up if that's all Bonneville gets in the next two years, he said.

The Power Plan's conservation targets for Bonneville are 30 percent higher than Bonneville's recent achievements, while its budgets are declining, and we are concerned about whether Bonneville will be able to achieve the targets, Grist told the Council. Bonneville's current conservation budget appears to overestimate the available funding, he said.

We either need more dollars in Bonneville's budget, or we need a fallback if Bonneville can't coax that amount of conservation out of the utilities, Grist continued. We are in a holding mode to see what Bonneville is going to propose, and then we'll decide what to do, he said.

If Bonneville doesn't produce enough conservation, will a power plant have to be built? Cassidy asked. The question is how much more it costs the region to not do as much conservation as targeted, replied Grist. There's a risk of not doing conservation that Bonneville ought to think about in the rate case, he said. Buying conservation reduces costs in the long run for the region,

Grist stated. Now is the time for Bonneville to be a leader and say, “we’ll do all it takes to meet the conservation targets in the Power Plan,” he said.

The question for the Council to consider is, according to Grist, “how do we assure that Bonneville is using all its authorities to reach those targets?” The Council is identifying a choice here, said Karier. The amount of dollars to fix this is about half a mill, and the savings will start showing up in a couple of years, he added. It’s an investment choice for the region, Karier concluded.

5. Presentation on Pacific Northwest Aquatic Monitoring Partnership (PNAMP) Strategic Plan with reception following

Steve Waste, manager, program analysis and evaluation; and panel.

Staffer Steve Waste introduced a panel to make a presentation on the Pacific Northwest Aquatic Monitoring Partnership (PNAMP) and the progress it has made with its strategic plan. PNAMP is the group trying to coordinate a regional approach to monitoring in the Pacific Northwest, he explained, describing the origin of the effort. PNAMP allows shared resources and data across organizations and provides increased scientific credibility and cost-effective use of limited funds and greater accountability to stakeholders, according to Waste. He noted how PNAMP helped the Council with its subbasin planning work.

Jim Geiselman of Bonneville pointed out that 20 state, federal, and tribal entities are involved with PNAMP now. We view PNAMP as the hub that holds together a network for regional monitoring, he said. The Council’s support has been very important in advancing PNAMP’s work, and we hope it will continue, Geiselman stated.

He described how PNAMP is helping in regional recovery planning and M&E with respect to the BiOp. PNAMP is playing a critical role in these processes, Geiselman said.

Jen Bayer of the U.S. Geological Survey explained how PNAMP is organized and how it serves as a forum for coordination. In 2004, we made the leap from being an ad hoc group to a more formal role, she explained, pointing out that PNAMP now has a charter signed by 19 entities. We are working on a strategy to identify key management protocols, develop standardized metrics and protocols, and further develop the regional monitoring network, Bayer told the Council.

Steve Leider of the Washington Governor’s Salmon Recovery Office described the various technical work groups under PNAMP, such as watershed condition monitoring, fish population monitoring, and data management. In the development of watershed monitoring protocols, are you headed toward having a set of recommended protocols for counting fish in the Columbia Basin? Karier asked. We are planning to make such recommendations through PNAMP, Leider replied.

PNAMP holds the key to the future of fish in the Northwest, commented Cassidy. This is one of the more significant, but under-recognized efforts going on in the region, he said. “I take my hat off to you,” and I hope that the Council will continue to provide support, Cassidy stated.

6. Presentation of research findings on Snake River fall chinook over wintering

Dr. Billy Connor, U.S. Fish and Wildlife Service.

Ken Tiffan of the U.S. Geological Survey said that recent research he and William Connor of the USFWS conducted on fall chinook salmon in the Snake River basin has implications for fish recovery activities such as summer flow augmentation, spill, and transportation. He explained the study's use of PIT tags and radio tags to understand juvenile fish life histories and movement. Can you radio tag subyearling fish? Karier asked. Yes, we have new tags available this year, and they open up a new frontier in the tagging of subyearlings, Tiffan replied.

He explained that when the fall chinook were listed, it was assumed they adhered strictly to an "ocean-type" life history characterized by saltwater entry at age 0 and first-year wintering in the ocean. His research has shown, however, that some fall chinook juveniles in the Snake River basin have an alternative life history, Tiffan noted. Some fall chinook have a "reservoir-type" life history, in which they spend their first winter in Lower Granite reservoir and then resume seaward movement the following spring as yearlings, he said. We found the reservoir-type fish that delay their migration are much bigger and that may give them survival advantages to adulthood, Tiffan stated. Also, the study indicated that some of the fish were passing the dams during the winter when bypass systems are not in operation, he said.

We concluded that there is no typical juvenile life history type for fall chinook salmon in the Snake River basin; rather, there are two alternatives, ocean-type and reservoir-type, Tiffan stated. Both of these life histories are important to the recovery of fall chinook, and there is very little known about reservoir-type juveniles, he said. Tiffan listed management questions that need answers, including how many fish are adopting the reservoir-type lifestyle and what reservoirs they use. These questions affect the assumptions underlying fish transportation, he noted, adding that figuring out how many fish are spending winters in reservoirs may help correct transportation assumptions.

Another question involves the passage timing of reservoir-type chinook, according to Tiffan. We don't know how much turbine mortality occurs during winter passage at dams, he said. There is also the question of how flow augmentation and spill influence the prevalence of reservoir-type juveniles, Tiffan noted.

The Council didn't recommend our study for funding, even though the ISRP gave it high marks, he pointed out. Bonneville decided on its own to fund this, Tiffan said. "I guess Bonneville gets it right sometimes," observed Karier. He suggested the research indicates that "we could be misapplying our hydropower support for fish." Could we be providing too much spill and flow in the summer and not enough the rest of the year? Karier asked.

We believe, Tiffan replied, that summer flow augmentation using cooler water from Dworshak is enabling the reservoir-type juvenile life history, but we don't know if it is facilitating it. What is "enabling?" Karier asked. The cool water from Dworshak enables some fish to survive so if they

choose to stop their migration and stay in the reservoir, “you won’t boil them,” but that isn’t saying the cool water makes them choose to stay, according to Tiffan.

Cassidy asked about the implications of the research on fish releases at the Lyons Ferry hatchery. What we recommend in our study is that recovery activities try to spread the risk and consider promoting both fish life histories, Tiffan replied.

Eden asked about the effect of the spillway weir at Lower Granite, and Tiffan said the weir wasn’t up at the time of the study. Bonneville did the right thing in funding this study, and we acknowledge that – it’s very valuable, stated Eden.

7. Briefing on public comment received from Research Plan

Steve Waste, manager, program analysis and evaluation.

It was decided that this item would be handled by memo.

8. Update on recommendation to resolve subbasin plan process issues

Doug Marker, director, fish and wildlife division; John Shurts, general counsel; Lynn Palensky, subbasin planning project manager; and John Ogan, senior counsel.

Staffer John Ogan presented a draft letter for the Council to send out advising the region of how “broad process issues” related to subbasin planning would be resolved. The first issue, he explained, involves the level of specificity in the plans, including definition of the term “measures.” Staff recommends the Council conclude that the subbasin plans contain “measures” for the fish and wildlife program that are fully consistent with the requirements of the Act and with the “long history of how the Council has understood and adopted measures into the program,” Ogan said.

The second issue is “roll-up,” how the subbasin plans collectively add up to provincial and basinwide objectives in the Council’s program, he stated. Ogan said the Council’s 2000 program called for the development of province-scale objectives once the subbasin plans have been adopted, and those objectives are to provide: benchmarks for measuring fish and wildlife program performance; a framework for a more efficient M&E program; and insights and context for resource allocation decisions.

A province-level amendment process would also allow the Council to address two issues that were not satisfactorily treated in the subbasin plans, the integration of artificial production into the plans, and the design and conduct of M&E, he noted. Staff recommends starting a formal amendment process no later than the fall of this year, Ogan said.

Is prioritization inherent in the roll-up process or not? Measure asked. There will be insights that will inform prioritization, but it won’t be black-and-white, replied Ogan. Where do you see the prioritization process taking place? Measure asked. We are proposing a program amendment process, but the prioritization is likely to take more time, replied Marker.

If we start the process this fall, when will we adopt the amendments? Karier asked. Probably in about 18 months, replied Ogan. We should try to do something sooner, Karier said. Have you looked at just adding up the quantitative goals in the subbasin plans? he asked. We have arrayed the objectives in all the subbasin plans and found they aren't expressed consistently, replied Marker. The reason for using an amendment process is because the 2000 program called for it and because it provides a structure and schedule and is transparent, he said.

The Council chose to postpone doing province-level objectives after the 2000 program was completed, noted Eden. We are paying the price for not having done that then, she said. Will the 2007 fish and wildlife program be based on an allocation system? Cassidy asked, and Marker said yes. So eventually someone somewhere that is accustomed to getting dollars from the Council will be told that those dollars are going elsewhere, observed Cassidy. It will take guts to do that, but I think we can, he added. We'll present a schedule for the amendment process to you at the next meeting, Marker told the Council.

The third issue, according to Ogan, is how the Council will use the subbasin plans in fish and wildlife project review and selection and how resources will be allocated among the provinces and subbasins. Staff recommends the Council continue to use a province-based review process that would be launched in time to inform recommendations for FY 2007 and beyond, he stated. As for allocating the annual Bonneville direct program budget among subbasins and other program areas, it is true the subbasin plans, as they exist now, do not give rise to an obvious funding allocation, and there are ongoing regional discussions on how to make allocation decisions, Ogan said. The Council wants to develop an equitable and cost-effective allocation scheme and will hold an open regional discussion about it, he stated. The province-level "roll-up" amendment process should provide objectives that could be helpful in the funding allocation decisions, Ogan said.

Another issue is how the subbasin plans relate to ESA recovery planning, he continued. Staff recommends a Council position that says NOAA Fisheries and USFWS ought to use the subbasin plans in recovery planning, Ogan said. And if the two agencies were to find their recovery plan documents coming to very different assessments and actions in the subbasins, the Council would request "significant consultation" before NOAA Fisheries releases the draft recovery plans for public review, he stated.

Ogan explained staff-recommended proposals to make "minor" changes to adopted subbasin plans, to deal with the relationship of subbasin plans to hydro project relicensing, and to define Bonneville's responsibility to implement subbasin plans more clearly.

I'm surprised that subbasin planning didn't focus more on prioritization, said Whiting. When you reviewed the plans when they came in, if they didn't meet all the criteria, they were sent back, she stated. Now we are hearing that some plans didn't include certain things, so why weren't they sent back? Whiting asked. Ogan explained that most of the plans had deficiencies with respect to the design of M&E and artificial production objectives. We thought if we hang up all the plans on those two issues, we wouldn't move very far ahead, he said. So we told the planners to wait for PNAMP to get farther in its work so that PNAMP could provide them some guidance, Ogan noted. And since the Council has been working on hatchery reforms for some years, we said we thought that work would be helpful in providing hatchery objectives for the plans, he added.

Kempton said he is concerned about the timing of the activities outlined. We have to keep going forward to get projects into the individual subbasins, he stated. We should pull staff away from the MOA discussions and have them focus on these shorter-term issues that will get us going on FY 2006-2007 funding and allocation, Kempton said.

I don't support this letter unless I can be shown the scope of the program amendment process, said Karier. We will use the subbasin plans as they are for the next two years, responded Marker. The province-scale objectives will serve us longer into the future for such things such as M&E and setting benchmarks, he stated. If we can do the province-level program amendment process sooner, we will, Marker said.

Over the next two years, if we make decisions on projects, could those decisions be contradicted or seem unnecessary, once the provincial objectives are developed? Dukes asked. I'd hope not, replied Marker. Does it have to take 18 months? Dukes asked. That's how long our amendment process takes -- it's public process-driven, replied Marker.

If we don't have the provincial objectives done, what do we base our FY 2007 decisions on? Eden asked. We'll shape some alternatives and frame them up for you next month, Marker replied.

Mary Verner of the Upper Columbia United Tribes (UCUT) urged the Council to move expeditiously toward implementation of subbasin plans. We specifically request, she said, that the Council immediately undertake an open, public process for allocating Bonneville fish and wildlife funding in FY 2006 and that the Council establish a clear process for project solicitation during 2006, to ensure subbasin plan implementation funding in FY 2007. Bonneville funding should be available for reallocation in this rate period because Bonneville expenditures on the Council's fish and wildlife program have been lower than the committed \$139 million expense and \$36 million capital annual averages and because supplemental funds may be made available by project close-outs, Verner stated. She noted that the UCUTs did their roll-up in a matter of hours.

John Platt of CRITFC addressed the "measures" issue, stating that the statute is explicit in requesting measures from fish and wildlife managers. He said he met with the Federal Caucus, and they said the subbasin plans weren't sufficient for what they need to do. Platt said that ESA recovery could have been informed by the Council's fish and wildlife program, but instead there are now two processes going on in the region.

He urged the Council not to sign the draft letter. It doesn't establish what needs to happen to carry out your responsibility to protect, mitigate and enhance fish and wildlife, Platt stated.

FY 2007 project selection is the most urgent issue before us, said Greg Delwiche of Bonneville. We need to use the subbasin plans in that solicitation, but we have a tight time schedule that doesn't synch up with your 18-month process, he stated. We need to move much more quickly, Delwiche urged.

He suggested employing a qualitative process to roll up provincial objectives and using the results to write a targeted project solicitation. We need something focused on objectives drawn out of the subbasin plans, Delwiche said, suggesting the work could be completed by holding workshops in different geographic areas. I'd urge you not to lose sight of the most important

objective, which is to develop a “really sharp” solicitation for FY 2007 projects, he told the Council.

The UCUTs did their objectives in a timely way, and what Greg suggests is similar, said Karier. I think the sooner we get this done, the more useful it will be, he stated.

What shall we do with this letter? Eden asked. We could send it out, but include an explanation of how we intend to conduct the funding process, suggested Whiting. I don’t support the letter, said Karier. There’s a quicker way to do this than getting into a multi-year program amendment process, and we should find it and use it to inform FY 2007 decisions, he added. Sending out the letter is a starting point, said Kempton. But staff needs to divorce itself from non-productive processes and refocus on how to get this work done, he stated.

I favor sending the letter out, said Eden. I do too, with Rhonda’s added language, said Cassidy. Eden said, since she heard only one objection from the Council, that staff should revise the letter and send it around for e-mail review before release.

9. Council decision on work plan for habitat and production objectives integration

Doug Marker; and Bruce Suzumoto, manager, special projects

Staffer Bruce Suzumoto presented a recommendation for the Council to approve \$300,000 to fund the initial phase of a “hatchery-subbasin plan integration technical exercise” using the AHA model. The purpose of the project would be to integrate subbasin plans and hatchery information and help develop biological objectives at the provincial level, he said. The three deliverables, according to Suzumoto, would be a web-based data system, a series of training sessions to educate individuals on use of the analytical tools, and hatchery and subbasin integration results for at least five subbasins.

The development of biological objectives at the province level is called for in the 2000 fish and wildlife (fish and wildlife) program and would help provide a consistent approach for organizing subbasin and hatchery information, he noted. It would also provide a way to “roll up” anadromous populations to the provincial level, Suzumoto explained. The results of this exercise could be used to establish provincial objectives for the Council’s program, he said. After evaluating alternatives, staff selected the AHA model because of its technical characteristics and because it has been tested in the Puget Sound and Columbia Basin and proven helpful, Suzumoto stated. The USFWS and Washington Dept. of Fish and Wildlife (WDFW) both support its use, he added.

The \$300,000 would enable the model to be populated with 260 anadromous fish stocks and for us to go into five subbasins and ground-truth data from the model, Suzumoto said. Dukes questioned whether the Council should approve this model if it hasn’t been tested in the way the ISRP recommended. The model has been tested in the Puget Sound and the results seem to be reasonable, responded Suzumoto. It has been reviewed by NOAA Fisheries scientists and the ISRP, but we are willing to do another test, he stated.

Would the five subbasins be done if we approve this money? Karier asked. Yes, replied Suzumoto. What's the budget to finish the rest of the subbasins? Karier asked. About another \$200,000, Suzumoto said.

Joe Peone of the Colville Tribes said they strongly support the proposed effort. We need better tools, he stated. Rob Walton of NOAA Fisheries said he had met with Council staff, and there is agreement that having AHA "as one tool in the toolbox is good." NOAA Fisheries will contribute one new model too, possibly the "Shiraz" model, which will be complementary to AHA, he stated.

We think AHA would be valuable with two provisos, according to Walton: that Council staff work with the co-managers on it, and that it be used in a way that is consistent with the science reviews.

Do you propose to use the same formats so you can compare the two models or will you run them with different data sets? Kempton asked. Shiraz would be based on a different data set, Walton replied. The formats wouldn't be the same, but I don't think they are in competition, he added. If you do not use the same data sets, you should use the same hatcheries so you can compare results; otherwise, you just have two models paid for with public dollars "that will go their merry way," Kempton said.

Pete Hassemer of the Idaho Dept. of Fish and Game (IDFG) said the two models could be used simultaneously. The AHA model doesn't have an application across all the landscape, and that's where we look to the life-cycle model to develop other goals and objectives, he stated. We've seen AHA work in the Puget Sound and coastal Washington, said Doug DeHart of the USFWS. We'd like to see it applied here and used to facilitate the discussions on integrating future hatchery programs into subbasin and regional plans, he added.

There is a lot of information about fish stocks, but it needs to be integrated so decisions can be made, said Dick Stone of WDFW. Our staff helped develop this model, and we are comfortable with it, he added. Dave Fast of the Yakama Nation Fisheries Project said there's a lot of benefit in this program and that it is a great component in doing future subbasin plans. This should be coordinated through the co-managers to get the maximum benefit out of it, he added. Fast said he wanted to be sure that if AHA is funded, the Yakama Fisheries Project could get help in running it.

So we would spend \$300,000, but only be done with five more subbasins? Eden asked. Yes, but we would have all the anadromous stocks in the data base available to the region, replied Suzumoto. Eden asked if some of the funding is aimed at "getting the buy-in of those who would use it." It's an educational process, replied Suzumoto. The Council can't do this project – the managers have the data and experience with EDT, responded Stone. It's not about getting their buy-in – they are ones who will do the work to populate the model, he said.

I'm concerned about the money and the time, said Eden. She proposed the Council approve \$181,000 to get the data into the model and then come up with a different process for ground-truthing it, instead of going out in the field.

We could consider a cost share with our partners here, Karier said of the panel. If we just approve the funding as proposed, AHA will be "the Council model," and NOAA Fisheries will

have its own model, he stated. It should be a joint effort, Karier said. We need NOAA Fisheries' buy-in in particular, and the USFWS could get benefits, he continued. "They need to own these results," Karier stated.

Final decisions on our budget have not been made, noted Walton. "Tom is calling our bluff" and asking us to take joint ownership of this, he said. I'll take your request back to my team and get you an answer, Walton promised. We are open to a proposal that defines our role and contributions, said DeHart.

If you can act quickly, I think we could make our decision quickly, said Karier. Eden suggested postponing action until the federal agencies make a decision. This work needs to be done, but we are uncomfortable with the way the pieces have come together, she said. Dukes asked staff to work on addressing the ISRP's concerns about testing the model in the interim.

10. Council decisions

Doug Marker; Lynn Palensky; and John Ogan.

– adoption of Methow, Okanogan, Klickitat and Lower Middle Mainstem subbasin plans, and

Staffer Lynn Palensky explained that in February, the Council adopted 25 of 29 proposed "blue" subbasin plans and that four plans were delayed to resolve some local issues not related to the adoptability of the plans themselves. Ogan explained the concerns expressed by counties about the plans and said at this point, Klickitat County does not support the Council adopting the Klickitat subbasin plan. He recommended that the Council adopt the four plans, but write some additional findings for the plans to address county concerns. For example, Ogan suggested the findings say that the plans do not affect property rights and that the Council believes the science behind the plans is adequate, but that doesn't mean the data in the plans is definitive.

There were concerns expressed at the local meetings that the plans were regulatory in nature, but they are not, and the findings would put that in writing, said Cassidy. These are good plans, and I urge the Council to adopt them, he added.

We met with Okanogan county commissioners, and while we don't have the county's express support for the Okanogan subbasin plan, I think that with time, we could resolve some of the outstanding issues, said Karier. I also urge adoption of the plans, he said.

Cassidy moved that the Council amend the Columbia River Fish and Wildlife Program by adopting the management plan portions of the subbasin plans for the following subbasins: the Klickitat, the Lower Middle Mainstem Columbia, the Methow, and the Okanogan and direct the staff to give appropriate notice of its action. Karier seconded, and the motion passed unanimously on a roll-call vote.

– adoption as draft amendments and release for public comment Grande Ronde and Upper Snake subbasin plans

Palensky said that four "red" subbasin plans are ready to go out for public review and comment and circulated a schedule of public hearings for them. Kempton moved that the Council release for public comment the subbasin plan recommendations for the Grande Ronde Subbasin and the

Upper, the Closed, and the Headwaters Subbasins in the Upper Snake as draft amendments to the Columbia River Fish and Wildlife Program and direct the staff to give appropriate notice of the Council's action and the opportunity for comment. Cassidy seconded, and the motion passed unanimously.

11. Status of fish and wildlife implementation funding and long-term management agreement in Bonneville rate case development

Doug Marker; Patty O'Toole, manager, program implementation; and John Ogan.

Marker reported that staff has talked with Bonneville's utility customers and that they do not want to see Bonneville "lock in" to a definite long-term fish and wildlife funding agreement (MOA) due to concern about pending litigation over the BiOp, as well as their strong interest in keeping Bonneville's power rates as low as possible. We met with Bonneville about the funding assumptions to be used in the rate case and the scope of the MOA, he said. Bonneville told us it wants to reduce the amount of current funding for monitoring and evaluation (M&E), research, and coordination to no more than 30 percent of the program budget so more dollars can be allocated to "on-the-ground" projects, Marker stated. Bonneville also proposes that the fish and wildlife allocation among anadromous, resident fish, and wildlife projects remain at 70-15-15 percent, he said.

Bonneville is seeking a process to establish performance targets for fish and wildlife funding and a mechanism make cost sharing a criterion for project funding, Marker continued. Staff recommends these objectives be addressed in fish and wildlife program amendments or in the next project review process, he said. Staff doesn't believe that defining cost-sharing requirements is appropriate for the management agreement, Marker added.

The Council needs to decide if it wants to have a cost-sharing policy, said Cassidy. Karier suggested cost sharing be put on the next meeting's agenda. We also need to discuss Bonneville's interest in reducing M&E to 30 percent of the program budget, he said.

Should we give you a deadline for getting an MOA done? Cassidy asked. We can accomplish it, but we need a willing partner – Bonneville has to agree it wants an MOA, Marker replied.

We need to "fish or cut bait" on this issue and stop spinning our wheels, stated Kempton. The rate case will bring these issues to closure, said Marker. We still have the draft MOA Council staff put together last fall, and if that is not acceptable to Bonneville, maybe we just wouldn't have an MOA, he added.

Could the Council pass a motion saying we support cost sharing? Whiting asked. We could do that at the April meeting, replied Eden. We need more information on the extent to which cost sharing is already in our fish and wildlife program, she said.

There are ways to "ratchet up the heat" on the MOA issue if you are not getting there, Cassidy stated. I used to think Bonneville didn't want an MOA, but now I think they do, he added. "It's crunch time," agreed Marker. We need Council involvement on pursuing this agreement and developing the numbers, he added.

Obviously, Bonneville is getting pressure from its customers not to sign an MOA, so if we want one, maybe we should talk to the people who are giving Bonneville pressure, said Eden.

We are negotiating in good faith in the hope of having an MOA, said Greg Delwiche of Bonneville. Regardless of whether we get an MOA or not, we'll have to have a funding level, he noted. Our customers have a legitimate concern about the litigation risk we face, and perhaps the MOA could be written with a "force majeure off-ramp" that could be used "if there's a major financial train wreck," Delwiche said. Customers are not as concerned about the exact funding number, but more about how the fish and wildlife program affects our overall rate level, he stated.

Bonneville needs to see a path to clear biological objectives in the FY 2007 fish and wildlife project solicitation, and we need a game plan for getting to prioritization, Delwiche continued. We'd like to see some allocation goals in the MOA, but Council staff says that should be done in a formal amendment process, he said. Some projects, like the AHA model, cry out for cost sharing, Delwiche stated. I encourage the Council to help us out by adopting a cost-sharing policy, he added.

As for biological objectives, [Bonneville Administrator] Steve Wright continues to ask me "what's the game plan for establishing performance standards?" Delwiche told the Council. I have to be able to explain a clear plan to him for getting there, he said. Those are the things that need to be addressed, and they boil down to an MOA broader in scope than what Doug says his marching orders are for, Delwiche concluded.

Hassemer referred to a letter from the Columbia Basin Fish and Wildlife Authority (CBFWA) to the Council that recommends increasing funding for the fish and wildlife program in the next rate case period to at least \$240 million per year. That, he said, assumes Bonneville would use its borrowing authority for new production facilities and land and water acquisitions and does not include assessments of costs for mainstem measures beyond those contemplated in the BiOp or the Council's current fish and wildlife program.

The letter says "current spending levels are inadequate to protect, mitigate, and enhance fish and wildlife under the Northwest Power Act" and that at the current levels, it would take over 100 years to implement all the measures contemplated in the Council's program. CBFWA reps said the Council's subbasin plans created expectations the plans would be implemented and that they "shouldn't just gather dust on the shelf."

Ed Sheets, consultant to the Yakama Nation and the Columbia River Inter-Tribal Fish Commission (CRITFC) requested to meet with the Council to discuss these issues in more detail. John Platt of CRITFC handed out a resolution passed by the Affiliated Tribes of Northwest Indians that supports the budget developed by fish and wildlife managers for implementing subbasin plans and a proposed budget for implementing the Council's program and the BiOp of \$189 million in FY 2006, \$250 million in FY 2007, \$300 million in FY 2008, and \$350 million in FY 2009.

12.Update on FY 2006 program fish and wildlife project review process

Doug Marker; and Patty O'Toole

Staffer Patty O'Toole gave the Council an update on the FY 2006 fish and wildlife project review process, noting that staff had reviewed over 300 projects to confirm which are complete and which have issues to be addressed. We've come up with a list of issues related to the FY 2006 budget, such as cost of living/O&M increase needs for projects, she said. There is the question of what to do with habitat projects that have had three years of funding and need to be evaluated for consistency with subbasin plans, O'Toole noted. In Washington, we have told subbasin planners we want them involved in implementation and having them help in that consistency review is a way for that to happen, said Karier.

Staff needs to decide what should be done about a group of projects associated with the Washington Wildlife Agreement, projects deemed necessary for the implementation of the 2000 BiOp, projects being implemented by Bonneville that do not have a corresponding Council recommendation, and land acquisition projects that have issues related to Bonneville's definition of capital and crediting, O'Toole said. The question with the last group is whether some of those projects could be moved to the expense side, she noted. Eden asked for the totals and other information for those projects to be supplied to the Council.

After additional reviews, staff will bring a FY 2006 budget before the Council this July, O'Toole said. The two issues I am most concerned about are accomplishments to date, and how much each project has spent of its current authorization, said Karier. I understand Bonneville said "I don't know" to those questions, he added. Bonneville has compiled accomplishments from project annual reports, but they are not very detailed, replied O'Toole. They don't have any other metrics at this time, she said. The annual reports are "very spotty" and not very useful, Karier stated. Without a summary of accomplishments, if we vote on several hundred projects, on what basis will we vote? Karier asked. If there is a fencing project, they ought to be able to say if the fence was built, he said.

There is a lot of information available to catch this at the 10,000 or 15,000-foot level, said Maslen. I think we can get you the information, but the biggest sensitivity for us is that we are converting to the PISCES system by the end of May, he noted. The Columbia Basin Fish and Wildlife Authority (CBFWA) held workshops with project sponsors, and we can draw on the information gathered from them, Maslen said.

Kempton suggested that project sponsors be asked to provide a one-page report summarizing where their projects stand. He asked about Bonneville's responsibility to pay for O&M on land acquisitions. Marker said maintaining the benefits of land acquired is part of Bonneville's wildlife mitigation responsibilities. How much are those costs? Kempton asked. It's several million to below \$10 million -- we'll get you the numbers, replied Marker. Under what conditions do states assume maintenance for land acquisitions? Kempton asked. They don't, replied Marker. Cost-sharing should be explored for O&M for land acquisitions, Cassidy stated.

Can't PISCES locate O&M information like this? Eden asked. There are customizable searches you can do with PISCES, replied Maslen. We can do standardized reports that should meet your needs, he added. All the Council members need to see a demonstration of PISCES, Cassidy said.

Tom Iverson of CBFWA said information from CBFWA's most recent project reviews should be available in April.

13. Council decision on Grid West membership

Wally Gibson, manager, system analysis and generation.

Staffer Wally Gibson reported new developments with Grid West and the Transmission Issues Group (TIG). Grid West, "a major regional effort to develop an independent organization to manage the regional transmission system," has opened a membership window that closes April 29, he noted. Gibson said the Council could apply to become a member.

TIG, which he described as an effort to develop mechanisms to address transmission problems faster and without creating a new FERC jurisdictional entity, has been "newly enhanced" by an infusion of Bonneville funding, he reported. Grid West's work groups are well under way, and TIG's work groups are just starting up now, but they are both focused toward a major decision this fall, Gibson said.

This isn't a decision about whether Grid West or TIG is a good idea – the issue is, does the Council want an active voice in the Grid West organization? he explained. Membership would allow the Council to vote in upcoming decisions on Grid West development, according to Gibson. Membership does not commit the Council to any ultimate outcome of Grid West; in fact, the Council could express the opinion Grid West shouldn't form, he said. It would not preclude the Council from supporting alternative proposals, and it doesn't require any cash outlay to become a member, Gibson noted.

The Power Committee discussed this issue and decided it would be better for the Council to make the decision in April, said Karier. That will give Council members more time to look through the "detailed and arcane" bylaws for Grid West and consider the implications, he stated. Measure suggested that at the April meeting, the Council could simply vote on the matter. We don't need another presentation, he said.

14. Annual briefing on Regional Water Brokerage

Andrew Purkey, National Fish and Wildlife Foundation; and Chris Furey, Bonneville Power Administration.

Chris Furey of Bonneville and Andrew Purkey of the National Fish and Wildlife Foundation presented the annual briefing on the Columbia Basin Water Transactions Program (CBWTP). This program attempts to develop a new dialogue on water rights and water allocation, said Purkey. He described the origin of the program and its participants. This year we started the Riparian Conservation Easement Program, which uses easements to protect riparian areas, Purkey reported.

The challenge the overall program is addressing in the Columbia Basin is overappropriation, he said. Every year is a drought year in the Columbia Basin because of overappropriation, Purkey stated. He explained CBWTP objectives and how the program works. In FY 2004, Qualifying Legal Entities completed 24 deals, both permanent and temporary, and flow was enhanced in 329

miles of stream, according to Purkey. In 2004, 32,201 acre-feet/year of water were added instream at an average price per acre-foot of \$16.03, he said. The 24 transactions cost \$1.6 million, half of which came from Bonneville, Purkey noted. Bonneville's total contribution in 2004 was \$2.5 million, he said.

Purkey described some of the transactions funded in 2004, including one in the Naches River in Washington and one in the John Day Basin. We are trying now to build the capacity of our partners, expand on our early successes, and look for more permanent deals, he said. We expect to spend about \$4.5 million of the \$5 million allocated to us in FY 2005, Purkey told the Council. If drought conditions persist and there is less snow pack, the region will need the kind of program we offer even more, he noted.

Whiting asked why more projects haven't been done on reservations, and Purkey said he would think more about the reasons for that and get the information to her. What kind of constraints did you run into last year? Karier asked. We weren't constrained by resources, replied Purkey. One constraint has been state regulatory review processes, he noted. With their budget struggles, states lack the ability to process proposals like ours, Purkey said, adding that Oregon has had the most problems. Maybe the Council can help you with difficulties you encounter working with the states, Karier suggested.

15. Presentation by IEAB on proposed method analysis of mainstem cost effectiveness

Roger Mann, chair, Independent Economic Analysis Board.

Dr. Roger Mann, chair of the Independent Economic Analysis Board (IEAB), reported on the IEAB's recent effort to extend an earlier analysis on the relative cost-effectiveness of spill and other actions to increase juvenile migration survival to a broader array of mainstem actions aimed at improving juvenile survival. The latest study, completed in November 2004, looked at proposed 2004 summer spill reductions and offsets

The IEAB's conclusion is that "it is not feasible to make conclusive cost-effectiveness determinations for the proposed spill reductions and proposed spill offset measures," Mann reported. Why? The biological estimates on the effects of spill and proposed offsets on salmon and steelhead survival provided to us by different agencies and stakeholders were orders of magnitude different, he said. The cost of spill is relatively well understood and so is the cost savings from reduced spill, but the comments we received on the biological effects of reduced spill and the offsets evidenced little agreement, Mann noted.

The fish-loss estimates that would result from the preliminary spill proposal provided to us by the Fish Passage Center and CRITFC were 10 to 20 times higher than those provided by Bonneville and the Corps of Engineers, he said.

The study was hampered by the time frame of the spill/offsets proposal, which allowed us only to consider offsets that could be implemented within a few months, Mann explained. That ruled out structural improvements that could be cost-effective, such as installing removable spillway weirs, he said. The IEAB thinks that the 2004 process for proposing spill reductions and offsets was simply too short to consider all forms of potential offsets, Mann stated. The region needs an

ongoing process that can consider offsets that would be implemented over the long term, he said. That process could solicit and study proposed offset measures submitted by fish and wildlife agencies and tribes that in their opinion could effectively mitigate for spill reductions, Mann added.

He discussed what can be done to advance cost-effective spill modification. On the Snake River, there's a need to understand the survival of the wild run in relation to passage timing and water temperature and to develop offsets, Mann said. None of the offsets proposed in 2004 was conclusively beneficial to fish, he stated. On the mainstem, there's a need to develop offsets for runs other than the Hanford Reach and to quantify costs and survival, Mann continued. There is a need to develop offsets, including long-term structural ones, which are clearly above and beyond the BiOp, he said.

It would be timely for the IEAB to look again at the spillway weir issue at Lower Granite, Little Goose, and McNary, said Karier. The Corps has told us Little Goose is high on its priority list, Mann noted. Is that the one that is not cost-effective? Karier asked. I believe so, but there is new information available, Mann replied. It would be good for the IEAB to look at that, Karier said.

16. Briefing on analysis of Bonneville Power Administration federal budget proposal

Terry Morlan, manager, economic analysis.

The Northwest Congressional delegation used the Council's analysis of the effects of the Administration's proposal that would have required Bonneville to sell power at market rates in the debate over the issue in Washington, DC, reported staffer Terry Morlan. He discussed the analysis, which said that the Administration's proposal would clearly raise the cost of electricity to the region's consumers and that electricity cost increases would affect all aspects of the regional economy. Our study pointed out that as a result of the electricity crisis of 2001, the regional economy is already quite fragile, and if the Administration's proposal were to go into effect, the cost of power from Bonneville would increase by \$1.4 billion, Morlan explained. Rates for customers of public utilities would go up by about 39 percent and IOU customers by 13 percent, he said.

The increases in electricity costs would mean a \$1.3 billion drop in personal income and a loss of 13,000 jobs in the region, Morlan reported. There would be a \$59 million decrease in state tax revenues and a \$217 million drop in federal personal income tax revenues, he noted.

Wouldn't the risk to utility customers drive them away from Bonneville? Kempton asked. There is a question of whether the Administration would want to take the risk of losing money when market prices are lower than Bonneville's prices, which has happened, Morlan replied.

Karier noted that the Congressional delegation has now asked the Council to analyze the Administration's proposal to change the way third-party debt is counted against Bonneville's borrowing authority. How long would that take? he asked. We can look at the borrowing cap, what Bonneville is planning for capital expenditures, ascertain when Bonneville might bump up against the cap, and identify what's vulnerable, such as transmission or upkeep on dams, Morlan

replied. Depending on how easy it is to get the information, we can probably do it within a few weeks, he added.

17. Discussion of 2005 runoff forecast

John Fazio, senior power systems analyst.

“I wish I had better news,” said staffer John Fazio, commencing a briefing on the latest Northwest power supply outlook. The current runoff forecast is for 70.7 million-acre feet (MAF), which is 66 percent of normal, he said. Based on that runoff, the annual hydro generation estimate is 1,100 aMW more than critical, according to Fazio.

“Are the lights going to go out?” he asked. The answer is no – the region has ample resources for adequacy even if there is a repeat of the critical year, Fazio said. That’s because since 2001, the region has increased generation supply and lost 3,000 aMW of demand, he stated. There could be problems due to transmission bottlenecks, Fazio noted.

The low runoff will very likely increase wholesale power costs, and there would less surplus hydro energy to sell, he continued. Bonneville’s revenues from surplus sales would decrease, and while Bonneville said this week it is okay with making its Treasury repayment in full and on time, the agency has indicated it is going to reassess that, Fazio reported. Reservoir elevations should be at planned levels by the end of summer, but river flows on the Columbia and Snake will be well under BiOp objectives, he told the Council.

Kempton asked about the effect of increased natural gas prices later in the year. The markets have probably captured any price increases, and gas prices could drop, replied Morlan. They are being kept high by the price of oil, he added.

Eden asked if the region would face transmission bottlenecks regardless of water conditions, and Fazio said yes. But if low water requires generation in one place rather than another, it could change transmission patterns and that might cause or exacerbate problems, Morlan said.

18. Council Business:

– Approval of minutes

Cassidy moved to approve the minutes for the February 15-16, 2005 meeting held in Portland, Oregon. Karier seconded, and the motion passed unanimously.

Approved March 15 , 2005

/s/ Jim Kempton

Vice-Chair

x:\jh\ww\minutes\mar05.doc