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Council Meeting Heathman Lodge Vancouver, WA

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Minutes

All members were present. The meeting began at 2:35 p.m. on Tuesday, January 14th and ended at 11:30 a.m. on Thursday, January 16th, 2003.

1. Presentation by the Bonneville Power Administration on financial choices and program cost reductions

Paul Norman, Vice President, Power Business Line, Bonneville

Bonneville is looking at a \$1.2 billion net revenue gap for fiscal year (FY) 2002-06, Paul Norman of Bonneville told the Council. We have made \$350 million in cost reductions and expect to receive \$550 million in additional revenue from rate adjustments, but that still leaves us \$300 million short, he reported. Bonneville is working to close the remaining gap with a modified fish and wildlife program budget, contract terminations and renegotiations, debt service and internal cost reductions, and settlement of subscription litigation, Norman explained. Bonneville hopes to save up to \$595 million from a combination of those actions, he said.

We are worried about our secondary revenues, given the 80 million acre-feet (MAF) runoff this year, Norman stated. Bonneville predicts FY 03 losses due to reduced hydro supply between \$200 million and \$250 million, he noted. About \$90 million of this could be offset by fish credits, according to Norman.

Bonneville doesn't want to over-rely on secondary revenues again, so we are thinking about reducing our forecast of those revenues for FY 2004-06 by about \$400 million, he stated. The investor-owned utilities (IOUs) have said they are willing to let Bonneville defer payments for the residential exchange settlement to later years to reduce immediate cost pressures, Norman continued. All of this leaves us with a wide range of where we'll be in terms of a revenue gap for FY 02-06, somewhere between an \$860 million deficit and a \$345 million surplus, he stated, adding "I think the \$860 million deficit is more realistic."

Karier recalled Bonneville Administrator Steve Wright's statement to the Council that he would reduce employee bonuses and incentives. "Now that things are grimmer, have you looked at that again?" Karier asked. It's under active discussion, replied Norman. There's a proposal on the table to "close to eliminate" bonuses this year, he said. We've also talked more with Energy Northwest about the incentives we pay them, Norman pointed out.

He presented a chart correlating secondary revenues with runoff amounts and noted that because hydro conditions have eroded, projections for FY 03 are now about \$400 million to \$450 million lower than Bonneville had predicted. Our models indicate we ought to get \$35/megawatt-hour for our secondary revenue, but we're very sensitive to being wrong about this, based on our recent experience, so we don't think that's a prudent planning basis, Norman said.

He went over the \$350 million in expense reductions, deferrals, and other actions Bonneville decided on as a result of its "financial choices" process. Larry Cassidy asked why the expense reductions for the Corps of Engineers and Bureau of Reclamation are so low, only totaling \$5 million a year. Norman said there has been a \$30 million increase over FY 01 spending levels in the Corps/Reclamation reimbursable program for fish that "in retrospect, we should have pulled out and put in the fish and wildlife spending category," and that there have also been new security costs related to protecting the federal hydro system.

"We drove federal system O&M costs down pretty hard in the late 1990s," and now there's "a rebound" from that and a need to restore the reliability of the projects, he noted. Have you asked the Corps or Reclamation to reduce existing contracted projects, like we are doing in the fish and wildlife program? Cassidy inquired. I can't think of a case where we've directly asked them to cancel a contract, Norman replied.

He said Bonneville plans to reduce incentive payments to the Corps, Reclamation, and Energy Northwest by \$24 million over the FY 03-06 period. Are you saying these incentive payments are bonuses? Danielson asked. For the Corps and Reclamation, there are employee incentives, in which an employee can earn 4 percent of his or her pay, and at Energy Northwest, up to 5 percent can be earned, Norman replied. Also, if Energy Northwest beats its targets for output or costs, Bonneville makes a payment to them and the money is used to pay for diversification activities, he said. As a result of the financial choices process, these costs were cut back, but not zeroed out, Norman added.

Melinda Eden asked him to provide figures on what was spent or budgeted in FY 01 for incentive payments, and Norman said he would. You said incentive payments are "part and parcel with organizations," but that's not true with state governments or the Council, stated John Hines. Karier asked if the payment to Energy Northwest was \$6 million in FY 02. It was, but we haven't paid it all to them yet, and "that's a sore spot," Norman said. If you look back over the past four years, Energy Northwest has done a good job managing the plant, but our concern is that costs look high in their out-year projections, he stated.

Norman explained how Bonneville's cost projections for FY 03-06 compare with spending in FY 01. The main thing is we took on 3,000 megawatts more of load, and it cost a lot more to meet that, he said, adding, "that's what shows up in the load-based Cost Recovery Adjustment Clause (CRAC)." Internal operating costs are now down to a level below FY 01, Norman noted.

Hines mentioned the 1996-2001 fish and wildlife Memorandum of Agreement (MOA) and said Bonneville didn't spend all the money called for in the MOA in 2001. Where did it go? he asked. We ended 2001 with \$630 million in reserves, and that figure would have been lower if we had spent all the MOA funds, Norman replied. Wasn't the higher reserve money then carried forward? Hines asked. We tried to set our 2002-06 rates to pay the costs of fish recovery, but we didn't explicitly account for the dollars not spent in the previous MOA period, Norman answered, adding "that was the philosophy at the time."

From the 40,000-foot level, the question is "how did Bonneville get in this hole?" Cassidy said. Norman cited the \$505 million increase over FY 01 for system augmentation and \$331 million for IOU benefits, but he added that these are being captured in rates through the CRAC.

As to why Bonneville is looking at a \$1.2 billion loss, there are four reasons, he said: 1) because we made a secondary revenue forecast that in retrospect was "wildly optimistic," and we aren't getting the revenues we projected we'd get; 2) our actual costs, but not for fish, are higher than what was in the rate case; 3) we agreed to fund more IOU benefits than were anticipated in the rate case; and 4) we started the year with low streamflows and low revenue as a result of the "drought hangover." Bonneville plans to write and circulate a "lessons learned" document about all this, Norman added.

Bonneville is close to deciding whether to trigger the safety-net CRAC, and it's likely we will, he stated, adding, the question will be "how much, not whether." Norman discussed Bonneville's efforts to bring costs down on a variety of fronts. He noted the agency had terminated a contract with IdaTech for a fuel cell program last week and said, "we expect to be sued as a result." We terminated power contracts with Enron that saved \$100 million, Norman pointed out.

Danielson said the need to meet Biological Opinion (BiOp) obligations poses a huge risk with respect to cutting the fish and wildlife program. "We're acutely aware of that risk," Norman responded. Cassidy said he doesn't see any equity between what the Corps and Reclamation are experiencing in terms of budget cuts compared with what the state agencies are experiencing. That sends a bad signal to all the fish and wildlife managers in the region, he stated. We ought to be sharing the pain in an equitable manner, and the bottom line is "we want to make sure we don't hurt fish," Cassidy said.

2. Council decision on approval of proposed subbasin planning workplans

Peter Paquet, Manager, wildlife and resident fish; Brian Allee, Manager of policy and program implementation; and Lynn Palensky, subbasin planning coordinator

Staffers Brian Allee and Lynn Palensky presented information on nine subbasin contracts and workplans for Council approval.

Decisions – Authorize nine subbasin contracts

Danielson moved that the Council authorize the Executive Director to negotiate a contract with the Lower Columbia River Estuary Partnership, in an amount not to exceed \$131,628, to develop

a subbasin plan for the Oregon side of the Lower Columbia Mainstem and Lower Columbia Estuary subbasins. Derfler seconded, and the motion passed unanimously.

Danielson moved that the Council authorize the Executive Director to negotiate two contracts for the development of a bi-state Walla Walla Subbasin Plan: with Walla Walla County, in an amount not to exceed \$109,138; and with the Walla Walla Basin Watershed Foundation, in an amount not to exceed \$83,260, as approved by the Snake River Salmon Recovery Board and the Oregon Subbasin Planning Coordination Group, respectively. Eden seconded, and the motion passed unanimously.

Danielson moved that the Council authorize the Executive Director to negotiate a contract with the Nez Perce Tribe, in an amount not to exceed \$11,822, to initiate the first phase of a process to respond to comments received in the Council's review of the Clearwater Subbasin Plan, anticipating that this contract may later be amended to cover an expanded scope of work with a total budget not to exceed \$75,000. Kempton seconded, and the motion passed unanimously.

Danielson moved that the Council authorize the Executive Director to negotiate a contract with the consulting firm ecovista, in an amount not to exceed \$118,279, to develop a subbasin plan for the Imnaha Subbasin, as approved by the Oregon Subbasin Planning Coordination Group. Eden seconded, and the motion passed unanimously.

Danielson moved that the Council authorize the Executive Director to negotiate a contract with the Confederated Tribes of the Umatilla Indian Reservation, in an amount not to exceed \$219,661, to develop a subbasin plan for the Umatilla/Willow Subbasin, as approved by the Oregon Subbasin Planning Coordination Group. Derfler seconded, and the motion passed unanimously.

Danielson moved that the Council authorize the Executive Director to negotiate a contract with the Columbia Conservation District, in an amount not to exceed \$100,388, to develop a subbasin plan for the Tucannon Subbasin, as supported and approved by the Snake River Salmon Recovery Board, which is the Level II Coordinating Group for that region in Washington. Cassidy seconded, and the motion passed unanimously.

Danielson moved that the Council authorize the Executive Director to negotiate a contract with the Asotin County Conservation District, in an amount not to exceed \$106,638, to develop a subbasin plan for the Asotin Subbasin, as supported and approved by the Snake River Salmon Recovery Board, which is the Level II Coordinating Group for that region in Washington. Karier seconded, and the motion passed unanimously.

Danielson moved that the Council authorize the Executive Director to negotiate a contract with the Pomeroy Conservation District, in an amount not to exceed \$73,334, to develop a subbasin plan for the Lower Snake Subbasin, as supported and approved by the Snake River Salmon Recovery Board, which is the Level II Coordinating Group for that region in Washington. Karier seconded, and the motion passed unanimously.

Danielson moved that the Council authorize the Executive Director to negotiate four contracts for the technical components of four subbasin plans within the geographic scope of the Snake River Salmon Recovery Board, as recommended by the Recovery Board: 1) with the Nez Perce Tribe, in an amount not to exceed \$38,500; 2) with the Confederated Tribes of the Umatilla Indian Reservation, in an amount not to exceed \$27,000; 3) with the Washington Department of Fish and Wildlife, in an amount not to exceed \$227,336; and 4) with the U.S. Forest Service, in an amount not to exceed \$5,000. Karier seconded, and the motion passed unanimously.

3. Presentation by the Columbia Basin Fish and Wildlife Authority on biological needs of fish using the Columbia River mainstem and reservoirs CBFWA Fish and Wildlife managers

A panel of CBFWA managers gave the Council their thoughts on the biological needs and environmental conditions necessary to promote and maintain healthy populations of resident and anadromous fish in the Columbia Basin.

Vaughn Paragamian of the Idaho Dept. of Fish and Game (IDFG) was up first, with a report on the biological needs of burbot (freshwater cod) in the Kootenai River. Karier asked if burbot is a listed species. It's been petitioned for listing in the Kootenai River in Idaho and Montana, replied Paragamian. Is there a recreational fishery for burbot? Cassidy asked. It used to be a popular sport and commercial fish in north Idaho, but the fishery was closed in 1991, Paragamian said.

Would burbot benefit if the Council adopted the mainstem amendments as proposed? Cassidy asked. Yes, Paragamian said. I thought neither the mainstem proposal nor current operations have helped burbot and that it's a "winter power vs. burbot" issue, Hines stated. The Kootenai Valley Resource Initiative has been working with the Corps and Bonneville on a conservation agreement with flow specifications, but it hasn't been implemented, Paragamian replied.

Brian Marotz of the Montana Dept. of Fish, Wildlife and Parks talked about the needs of resident fish in the Columbia River headwaters, reporting on efforts to use flows and habitat improvements to help white sturgeon and bull trout. He pointed out that the Corps and Reclamation have recently started using VAR Q (variable flow) flood control at Libby and Hungry Horse. If VAR Q is done correctly, forced spill at those projects can be avoided, Marotz said. It's really important that VAR Q be implemented permanently, he added.

Our mainstem proposal changes summer flows out of Hungry Horse and Libby, said Hines. What do you see as the effects of flattening those flows? he asked. I like the idea of smoothing out flows in the summer -- it increases productivity, replied Marotz. Cassidy asked about the possibility of bull trout going extinct. We aren't going to drive bull trout to extinction with reservoir operations, but they do affect productivity, replied Marotz. We should also be focusing on westslope cutthroat trout because they are affected by reservoir operations, he said.

Deanne Pavlik, representing the Spokane Tribe, talked about the effects of reservoir level fluctuations on Lake Roosevelt and factors affecting zooplankton production in reservoirs. She

discussed how temperatures and water retention times affect the production of food sources at different times of the year.

Ray Entz, representing the Kalispel Tribe, addressed “fish and wildlife versus power” in the Upper Columbia River, explaining hydropower impacts and the goals and priorities of the Upper Columbia United Tribes. He told the Council Bonneville funded less than 29 percent of the Council-approved fish and wildlife projects in the Intermountain province in FY 02. “Your program is not being implemented,” Entz said. He urged the Council to retain the resident fish substitution policy from the 2000 fish and wildlife program and fund Intermountain province programs “at levels equitable with past impacts and current benefits.” Do you see a pattern in the types of projects Bonneville is choosing to fund in the Upper Columbia? Karier asked. Land acquisition is the largest unfunded category, replied Entz.

Dave Johnson of the Nez Perce Tribe described the effects of the hydro system on salmon migration. The tribe is most concerned about keeping water in the river and managing the river for salmon, he stated. Do you support Idaho’s mainstem amendments? Cassidy asked. Yes, we believe Dworshak flows, as proposed in the amendments, are beneficial to salmon migration, but ultimately, we seek “more of a normative-type flow situation” in the Columbia River, Johnson replied.

Sharon Kiefer of IDFG discussed spring flows and Snake River chinook salmon and steelhead survival. She commended the Council for proposing to adopt a 2 to 6 percent Smolt-to-Adult Survival Rate (SAR), noting that a 2 percent SAR for wild Snake River spring or summer chinook is rarely achieved, regardless of whether fish are transported or left in the river. Kiefer said there is a flow-survival relationship, and that flow affects smolt migration time to the estuary, temperature exposure, fish energy reserves and stress levels, the timing of entry to saltwater, and the estuary plume. If spring flow is reduced, as a result of nature or management, it is likely to reduce SARs, and we expect increased risk to Snake River migrant populations as a consequence, she stated.

Do your studies show additional flows are more beneficial in years with good ocean conditions? Karier asked. With good conditions, there’s an overall faster rate of growth in populations, but even under poor ocean conditions, the shorter your water travel time, the better the SAR is, Kiefer replied. Kempton asked how the studies account for the effects of delayed mortality. We can’t directly measure that or point to one specific mechanism acting on the fish during the migration, replied Kiefer. Are there delayed mortality effects from gases in high spill? Kempton asked. Yes, there are, during forced spill periods, Kiefer said. Danielson asked for data on tribal harvest of the wild salmon. Kiefer said she would supply it, adding “I can tell you it’s been pretty low.”

Billy Connor of the U.S. Fish and Wildlife Service (USFWS) summarized recent research on Snake River fall chinook, reporting that summer flow augmentation decreases the time young fall chinook spend in Lower Granite Reservoir by one to five days. Summer flow augmentation, especially in July and August, increases the rate of seaward movement and survival of young fall chinook by increasing flow and decreasing temperature, he said.

Kempton asked about temperature effects of water released out of Hells Canyon. Connor replied that he looked at flow, not temperature modeling. He said the relicensing of Brownlee is a good opportunity to look into temperature control questions. We need more information on what's happening if we are going to consider the question of flow benefits in the Upper Snake, Kempton stated.

Bill Tweit of WDFW reported on mid-Columbia flow studies, as well as a flow augmentation experiment conducted with hatchery sockeye fry in the Cedar River in 1995. He said fisheries managers recognize the relationship between flow and survival, with more flow being generally favorable and less flow unfavorable. Instream flow, Tweit said, is a "classic cumulative impacts scenario," in which individual incremental impacts are often small and hard to measure, but the cumulative effect of incremental reductions in fish protection measures are usually serious and adverse, both long-term and short-term.

Fish travel slower when water transit time increases, and when you double transit time, you cut survival in half, he indicated. Karier asked if experiments similar to the Cedar River study could be done on the Columbia and Snake. It's hard; in the Cedar River, we used fry, not smolts, and we had a very controlled system so we could reduce the variables, Tweit replied. Do you have data on within-year flow-survival relationships? Hines asked. We have some, Tweit replied, explaining the difficulties in gathering within-year data. Our message is to take what we can from the small systems we can measure, and what we know about fish and flows, and use that to build a management approach, he added.

You say fish managers recognize the relationship between flow and survival, but it's not clear from the data, commented Kempton. If you are looking at within-year flow augmentation, where can you define the benefits? Where is the evidence that flow augmentation as a specific measure has benefited fish? he asked. I don't think of flow augmentation as a separate block of water; I think of it as management measures that take us closer to a target, and the further we go away from the target, the more we increase the risk, replied Tweit. We can't do a study of a single variable in a multi-variable system, he added.

Ed Bowles of the Oregon Dept. of Fish and Wildlife (ODFW) talked about flow and spill as management tools to aid fish survival in the Columbia Basin. We are now getting enough data so that "the fish can tell us what's going on" and what management measures are needed, he said. Flow augmentation and spill are inadequate tools, but they are the only tools on the table to address the juvenile migration needs of fish, according to Bowles.

Can anyone say if the Council's proposed mainstem amendments meet the biological needs of fish? Eden asked. The answer will vary by organization, replied Sando. There's a difference of opinion among CBFWA members, he added. We need specific technical recommendations from the fish and wildlife managers as to what we should do with the mainstem, said Cassidy.

Sando said CBFWA wants more involvement and coordination with the Council on the mainstem amendment issues. You need to establish criteria that protect your core mission, he stated. The BiOps were established with the thought that the base fish and wildlife program would be there to support them, and that's part of your core activity, Sando added.

The managers need to know how much funding there will be for fish and wildlife projects and how much new project funding is available this year, he said. The Council should look at cost reductions for the entire rate period, not just the first year, Sando urged. A budget that stretches through the whole rate period would make more sense, he added.

The fish and wildlife contract management process is very inefficient because contracts have to be renewed each year, he said. We recommend having projects funded in total upfront, Sando stated. The Council should consider establishing an executive-level leadership team to look at all these questions and try to make the fish and wildlife decisionmaking process “more transparent,” he said.

4. Presentation by University of Washington on CRiSP modeling results on mainstem operations

Chris Van Holmes, University of Washington, Columbia Basin Research

Chris Van Holmes of the University of Washington presented an update of a presentation he made to the Council in December showing the Columbia River Salmon Passage (CRiSP) computer model’s comparison of juvenile fish survival under BiOp operations to the Council’s preferred alternative for the mainstem amendments. Last month the Council asked Van Holmes to review some of the data used in the study and rerun the analysis.

He explained that the latest run of the model used a new low-flow year data set to compare the Council’s proposed hydro operations with those of the BiOp. The model used 1977 flow conditions, monthly and semimonthly spill volumes, and full transport at Snake River dams and full summer transport at McNary, and looked at six different stocks, Van Holmes said.

He went over the results, which showed a change in average inriver survival under the Council’s proposed mainstem amendments of -0.08 percent from the BiOp and in total survival of -0.06 percent. The results for the Council’s proposal ranged from a benefit of 55 more Hanford Reach fall chinook smolts per 10,000 surviving to the estuary from release at McNary, to a loss of 130 steelhead smolts per 10,000 from release at the Snake River trap, Van Holmes indicated.

Your results could be interpreted two ways, observed Cassidy. You could say there’s essentially no effect, or you could say this is one of the “thousand cuts” that have a cumulative effect, he stated. This model doesn’t take ocean survival into account, Van Holmes noted, adding that efforts to model that are now under way.

5. Update on the activities of the Northwest Energy Efficiency Alliance

Margie Gardner, director, Northwest Energy Efficiency Alliance

Staffer Tom Eckman told the Council 2001 was “a banner year” in conservation accomplishments, with 150 aMW in savings at a cost of about 10 mills per kilowatt. IOUs did 55 percent of the conservation, while public utilities did 45 percent, including 20 percent by

Bonneville, he said. About one-third of the total conservation in 2001 is attributable to the work of the Northwest Energy Efficiency Alliance (NEEA), Eckman noted.

NEEA director Margie Gardner said the Alliance, formed in 1996, is dedicated to energy efficiency, and only that piece of energy efficiency that qualifies as “market transformation.” She explained NEEA’s funding, management, and recent activities. For example, one “hallmark” project has been NEEA’s work to get energy-efficient clothes washers into Northwest stores at affordable prices, Gardner said. Today, 30 percent of the washing machines sold in the Northwest are energy-efficient models; in 1997, it was only 2 percent, she noted. NEEA’s efforts helped change federal standards for energy efficiency in washing machines, Gardner said.

She explained how NEEA has worked to get Energy Star light bulbs into retail stores in the region. In 2001, twice as many of the bulbs were sold in the Northwest as were sold in California, Gardner said. Other NEEA activities focus on emerging technologies, such as BacGen, a service for wastewater treatment lagoons that lowers energy use and allows more sewage to be treated per plant, cutting down on the need to build new plants. The Conservation and Renewables Discount helped overcome some of the first costs of this technology, she pointed out.

NEEA is looking into conservation voltage regulation, Gardner said. We are trying to see if we can change how utilities regulate voltage on their lines, she stated, adding that NEEA’s board will decide in January whether to take on this project.

Since 1997, the NEEA has saved the Northwest 100 aMW, Gardner reported. We will be looking for renewal funding for our activities in 2004, she told the Council.

6. Update on power supply adequacy

Dick Watson, director, power division and John Fazio, senior power systems analyst, power division

Staffer Dick Watson said the region’s runoff forecast is now for 80 MAF, compared to an average of 106 MAF, and that has spawned concern about power supply adequacy. Our analysis shows that adequacy won’t be a problem for the region this winter or the next, he said, adding that Council staff had found an error in its previous study. We presented a preliminary analysis of reliability last month that said things would be okay in 2003, but that in 2004 to 2006, the region had a higher level of risk than we’d normally tolerate, said staffer John Fazio. Our latest analysis shows no problem this year or in the 2004-to-2006 period, assuming we can import power from California, he said. If we can’t import power, “that’s a different story,” and it could lead to a 6 percent loss of load probability (LOLP), according to Fazio.

Between last month and this month, we made two changes in our analysis, he explained. For this winter, we used a more current streamflow forecast, instead of the previous more pessimistic forecast, Fazio said. We also corrected an error in the pricing of the hydro resource, he noted. The December study used all available hydro energy, including “emergency” hydro, before importing from out of the region, and this resulted in excessive drafting of reservoirs in early

winter and caused supply problems in late winter, Fazio pointed out. The current analysis uses “emergency” hydro generation only as a last resort for Northwest needs, he said.

The Council’s 2003 load/resource balance estimate is +4,200 aMW, and +3,100 in 2006, Fazio continued. In 2000, the Council said there could be a 24 percent LOLP in 2003, but now it’s looking like less than 1 percent LOLP in 2003 through 2006, he said. What’s the industry standard? Ed Bartlett asked. We use 5 percent, Fazio replied.

What could restrict imports from California? Cassidy asked. If the Northwest were to have no money to buy imports, or if there were a supply problem in California, replied Fazio. Reduced loads and more new generation have made the load/resource balance in California even more skewed than ours, observed Watson.

7. Briefing on Bonneville’s fish and wildlife project spending cap for Fiscal Year 2003

Doug Marker, director, fish and wildlife division; John Ogan, senior counsel

Staffer Doug Marker led a discussion of how the Council should go about responding to Bonneville’s request to cut fish and wildlife spending to \$139 million in FY 2003, noting that the difficulty of the task is exacerbated by the fact the fiscal year started October 1, 2002. We’re left with little time to meet the Administrator’s target, and “the situation is not a happy one,” he stated.

One issue is determining which fish and wildlife projects can be funded as capital projects within the \$36 million annual capital commitment in Bonneville’s funding agreement, Marker stated. We’ve identified a handful of projects that could be funded by Bonneville’s borrowing authority, he noted. We’ve asked Bonneville to see if those can be shifted to the capital side of the budget, which would save \$3 million to \$5 million, Marker said. There’s still the question of whether \$17 million to \$20 million in land acquisition projects can be funded using Bonneville’s borrowing authority, he noted.

Another issue involves whether there are gaps in Bonneville’s BiOp implementation requirements that would affect how we revise the funding recommendations, Marker said. Bonneville has given us a table showing gaps for the research, monitoring, and evaluation (RM&E) category, he stated, adding that the Council is trying to address RM&E as much as possible in its mainstem program. The greatest need is to fit the outstanding gaps within the existing budget, Marker said.

What’s an example? Cassidy asked. Consistent monitoring of the effectiveness of habitat projects or of the effects of hatcheries on wild fish, replied Marker. I’m trying to define a worst-case scenario, and we know there’s likely to be \$4 million to \$7 million in gaps, so maybe we should plan for \$7 million, he said. Another need is to ensure the 2003, 2005, and 2008 check-in requirements related to the BiOp are met, Marker added. The question is whether Bonneville has what it needs to check a project off when it reports to NOAA Fisheries (formerly NMFS), he stated, adding “I don’t want us to defer a project that turns out to have been necessary to meet the BiOp.”

What assurances do we have from NOAA Fisheries that we can get to the degree of definition for the credit issue we are suggesting? Jim Kempton asked. NOAA Fisheries has given the Council broad guidance, but has been reluctant to say “this project meets this RPA” (Reasonable and Prudent Alternative), replied Marker. We are trying to integrate BiOp requirements in the most efficient way, even though we seem to be caught between Bonneville and NOAA Fisheries, he added.

The federal agencies have given us an impossible task, commented Karier. We want to ensure there is adequate funding to meet BiOp requirements, but if Bonneville and NOAA Fisheries disagree, what do we do? he said. Staff says go with Bonneville because they need our help now, but “NOAA Fisheries is the one that grades the test,” Karier stated.

Maybe Bonneville could take a risk and put together a list of what it thinks will meet the BiOp requirements and “see if they get a good grade,” suggested Cassidy. Yes, before the test, “why not have a series of quizzes,” agreed Karier. Bonneville’s Sarah McNary told the Council Bonneville is working with NOAA Fisheries on resolving their differences over RPA designations. Bonneville will provide the Council with specifics on what the three and five-year check-ins require, she promised. “We don’t want to end up with something that doesn’t get a passing grade,” McNary added.

Cassidy asked if the high-priority fish and wildlife projects solicited in 2000 were called for in the BiOp. Some of those projects went forward, and some did not; those that did not “won’t cause a failing grade,” McNary replied. Can the Council get a “cheat sheet” on how the fish and wildlife projects match up with RPA designations? Karier asked. Yes, we owe that clarity to you, McNary said.

Another issue involves Bonneville’s \$12 million in “support costs” for fish and wildlife program implementation in 2003, Marker continued. Bonneville says the costs are high due to the need to train new employees to fill in for those who have retired, he stated. That is an inflation rate of 25 percent a year, noted Karier. I worry about the message this is sending to project sponsors in the region, he said.

Marker indicated that Bonneville’s latest estimate of fish and wildlife expenses for FY 03 is \$173 million, so the Council needs to cut \$34 million to get to the \$139 million target. Bonneville has told us it doesn’t think it can make a decision on the question of funding land acquisition projects through its capital borrowing authority until next year, he noted. The Fish Committee said this issue can’t be set aside, Bartlett pointed out. Kempton requested that all future discussions of Bonneville’s financial crisis and its relation to fish and wildlife funding issues be held before the full Council, not in committee.

The complete resolution of the capital issue will take some time, but we could agree with Bonneville on how to handle these projects now, suggested Karier. We have to get hard numbers from Bonneville so we can talk -- the numbers keep changing, stated Cassidy. Staff recommends that the land acquisition projects not be set aside as dependent on the capitalization issue, but kept on the list and have their priority for funding weighed in each province, said Marker. These projects are part of the salmon restoration core strategy, he added.

Cassidy asked about funding for “data management,” and McNary said Bonneville is looking to the Council for guidance on that. Cassidy recommended putting in \$750 million as a placeholder for data management.

The Council needs to decide on a mechanism to use to engage the region in identifying the fish and wildlife cuts, Marker stated. Staff favors convening work groups in each of the provinces, rather than doing it through a regional-level group, he said. The fish and wildlife managers “don’t have a famous track record” for cutting budgets -- we have to give the managers signals so they can get there, said Cassidy. To provide those targets, we need “numbers from Bonneville that last more than 24 hours,” commented Danielson.

We propose starting with percentage targets and asking each province to ground-truth Bonneville’s numbers, said Marker. You can’t write your customer and say “how much do we owe you?” responded Cassidy. Someone has to estimate how much cash will be needed between now and October, Marker said. And we need to have upfront an indication of what’s on and off the table, from Bonneville’s perspective, he added. Cassidy said he wants more information on whether the Corps and Reclamation are making any cuts in existing contracts.

Columbia Basin Fish and Wildlife Authority (CBFWA) director Rod Sando recommended the Council ask for an extra 30 days to make the fish and wildlife project cuts. He inquired whether Bonneville has told the Council if it will accept the Council’s decisions on funding cuts, or “will there be a second round of Bonneville decisionmaking?” Bonneville’s intent is “to give great deference” to the Council’s process, said Therese Lamb of Bonneville. We want to participate along the way so there will be no surprises at the end, she added. I think Bonneville really is willing to partner up on this issue, said Cassidy.

So let’s lay the criteria on the table today and have Bonneville react to them, Sando suggested. We all need to understand what the funding criteria are as this “food fight” proceeds, he said. The criteria don’t mention “decision support,” which includes entities such as CBFWA and the Independent Scientific Review Panel, Sando pointed out. That’s a lot of money, and subbasin planning is another big piece, he said. You have some foundations you can’t touch, so you have to look at your discretionary dollars, and those are pretty limited, Sando added.

John Palensky of NOAA Fisheries cautioned against using only a mathematical formula for the allocations and offered to work with the Council to “look at other ways of accepting the cuts necessary and still preserving management objectives.” This week NOAA Fisheries issued its draft findings report on the 2003 implementation plan, but that document isn’t public yet, he noted. Wouldn’t that be key to our project reprioritizing? Danielson asked. Hopefully, that document will be public before the end of this process, responded Palensky. It indicates what is critical to the 2003 check-in and how to satisfy the RPAs, he added. It’s imperative we get that document, Cassidy stated.

I’d like a 30-day extension, but Bonneville’s financial situation is bad, and its Treasury payment is due at the end of the fiscal year, Marker said. We’re trying to cobble together recommendations to bring back to the Council’s February meeting because the Administrator set a February 21 deadline, he stated. The managers are saying all these issues require consultation

within tribal governments and elsewhere, Marker said, adding “I’m painting a gloomy picture, I know.”

Staff presented a proposal for allocating the \$139 million budget among the provinces, based on the Council’s FY 2001 budget. Bartlett asked whether there would be a carryover of unused capitalization authority from last year to FY 03. We need to resolve the capital issue, agreed Karier.

Cassidy said he isn’t convinced FY 01 is the best year to use for the allocation. He also asked to see evidence of an effort to “weed out” inefficient projects. We should consider going lower than the \$118 million target allocation, with a contingency amount set aside for provinces that “may need additional consideration,” Cassidy stated. And, he said, the question that should be driving all of this is: “what’s best for fish?”

Karier discussed using FY 02 as the base year and how that would change the FY 03 allocation proposals. I recommended FY 01 because it predates the provincial reviews and wouldn’t advantage those provinces that came into the provincial review process earlier, Marker explained.

I’m concerned that whatever we come up with for project prioritization, a portion of it won’t be contracted and funded by Bonneville this year, said Hines. I’m also concerned about going down this path and not knowing what the dollar amount is for meeting the BiOp check-in this year, he stated.

Maybe we should key in on how to set the priorities, rather than what the base year is, said Kempton. We should go back and scrutinize projects that started before 1997 because the needs of the region have changed since then, suggested Danielson. We also need to deal with issues of consistency and overhead costs, she said. Maybe a 30-day extension isn’t a bad idea, Danielson added.

I’m still waiting for Bonneville to provide numbers about the percentage reductions in fish and wildlife, compared to other Bonneville programs, said Eden. I favor a 30-day delay compared to “the risk of making a crummy decision” based on inadequate information, she stated. The BiOp check-in is really important, and we should look at those projects first, Eden said.

Making across-the-board cuts by province is the best way to go, said Gene Derfler. We are a regional body, and we need to look at which projects are the most important to save fish, he stated. We should skip looking at what states are getting more than other states, and if we can’t do it that way, we should split the difference and base the allocation partly on the provinces, and partly on what are the best projects to save fish, Derfler said. We ought to keep the pressure on and try to finish by next month, he added. People will always take as much time as they are given, Derfler said.

Prioritizing all the projects in 30 days isn’t possible, Karier commented. We need a proposal from Bonneville on how to manage to \$139 million, he said. The issue is how you draw fish and wildlife managers into this process, Kempton stated. It will take time and money to bring the interested parties together to help solve these problems, and we should get on with it, he added.

I'd hate to ask the provinces to work on prioritizing projects without the findings report from NOAA Fisheries, said Danielson. We have the draft findings from NOAA Fisheries and can carry that information into the provincial reviews, said Lamb.

We can't have NOAA Fisheries second-guessing us down the road, said Hines. We need Bonneville to provide us with the absolute number it thinks is sufficient to fund all Endangered Species Act projects, he stated. We're working as fast as we can to get that to you, said Lamb.

Cassidy decided to call an emergency meeting of the Council on January 27 to reach agreement on all the issues associated with the fish and wildlife budget reprioritization. He read a letter from the Colville Tribes into the record that said the tribes "share the belief the entire region must effectively respond to Bonneville's financial crisis," but that too many questions still remain with respect to "the accuracy of Bonneville's FY 03 accrual estimates; the adequacy and proportionality of federal action agency project deferrals; and the sufficiency of cost control measures in Bonneville's internal program, especially overhead costs."

8. Council decision on action agencies' proposal for 2003 mainstem system operations

Bruce Suzumoto, manager special projects; Kevin Crum and Jim Athearn, US Army Corps of engineers; Greg Delwiche, Bonneville Power Administration

Staffer Bruce Suzumoto explained that the federal action agencies have asked the Council to consider several changes to hydro operations in 2003 and accelerating the schedule for some system configuration changes. The agencies propose to accelerate the process for installation of a Removable Spillway Weir (RSW) at Ice Harbor Dam, he said. The RSW is a structural device to pass fish that uses less water and may improve survival, according to Suzumoto.

The Corps thinks it is important to move forward with this, said Jim Athearn of the Corps. Spillway survival at Ice Harbor in 2002 was only 88 to 90 percent for spring and summer migrants, compared to the 98 percent survival originally assumed, he stated. To improve on that problem and take advantage of the RSW technology, the Corps would like to get started on the installation of an RSW at the project, Athearn said. The new schedule would have the RSW built and installed by March 2005, he added.

It will take an additional \$750,000 this year to meet that deadline, according to Athearn. We think that can be accommodated in our budget without affecting other work planned for this year, he said.

Is someone objecting to this? Cassidy asked. There are concerns that the RSW is not a proven technology, but this will help us get more data about it, replied Suzumoto. What's the total cost? Karier asked. A little over \$16 million, with another \$5 million for testing, responded Athearn.

Decision – Endorse acceleration of RSW testing

Danielson moved that the Council endorse the federal action agencies' proposal to accelerate the first year of testing, design, and engineering of a Removable Spillway Weir system at Ice Harbor Dam, with the proviso that all information collected during the pre-construction biological

evaluation be reviewed in the Regional Forum process before a decision is made to continue with construction of the system. Bartlett seconded, and the motion passed unanimously.

Suzumoto explained that the federal agencies are also proposing to prioritize operations to protect chum spawning habitat below Bonneville Dam over meeting the April 10 flood control rule curve. By relaxing the flood control target and increasing river flows in some years, chum redds in the lower river may be given greater protection, he said. Shane Scott of the Washington Dept. of Fish and Wildlife (WDFW) described the biology and distribution of chum salmon, and Greg Delwiche of Bonneville explained how the river is operated for chum.

Given the snowpack outlook this year, we will have to decide whether to dewater chum redds in order to “head toward the Upper Rule Curve (URC),” or to keep the redds covered and risk not having as much water in springtime, Delwiche said. He explained three possible operations, prioritizing chum flows, abandoning them, or providing a reduced level of flows. If you prioritize the chum flows, Bonneville would see a revenue benefit up to about \$15 million, with a mean of \$8 million, but at the cost of a 25-foot failure to get to the URC, Delwiche stated. The Technical Management Team (TMT) will decide on the chum operations proposals on January 22, he noted, urging the Council to express its views to the TMT before that date.

9. Presentation of Washington’s monitoring and evaluation for watershed health and salmon recovery

Bruce Crawford, Salmon Recovery Board

Washington state is developing a statewide monitoring and evaluation program for watershed health and salmon recovery, Cassidy said, introducing Bruce Crawford of the Salmon Recovery Funding Board (SRFB) to make a presentation. His information will help the Council decide what it needs to do with respect to RM&E and how to avoid duplication between regional and state efforts, Cassidy stated.

Crawford explained Washington’s salmon recovery program, which has comprehensive monitoring as a key element. “Everyone’s waking up to the need for monitoring,” but there isn’t much coordination, we’ve found, he said. Current monitoring efforts have gaps, especially in monitoring instream flows and the effectiveness of habitat restoration projects, Crawford noted. We recommended 22 high-priority actions, at a cost of \$19.9 million, to achieve greater coordination among agencies and watersheds, greater accountability, and to create an information-sharing network, he stated.

Crawford called for the development of standardized sampling protocols and for sampling at projects after they are done to see if they are effective. The question, he said, is “whether all the habitat restoration money we’re spending is making more salmon.” We need to create one or more “intensively monitored watersheds” to answer that question, Crawford recommended. The SRFB and the Council should coordinate the clustering of selected habitat restoration projects in such watersheds, he said.

10. Council Business

Decision to Clarify Council name

Cassidy said he had asked Gary Cox, a “communications analyst,” to make recommendations aimed at getting the Council to have “a more representative name.” Cox said because the Council’s name has been shortened in popular usage to “Northwest Power Planning Council,” the Council’s identity “has been diluted and weakened.” He recommended the Council change its name to “Northwest Power and Conservation Council,” which he said “reflects the strength and balance Congress intended.”

If we adopt this, staff will make the changes over time, so there won’t be any heavy cost impacts, said Cassidy. We need a name that reflects what we do, he added. It’s a good idea, stated Karier. It doesn’t change the statute, just the name we use, he said.

Decision – Adopt name change and new logo

Changing the name or logo isn’t going to help if the public perception is that the Council is weak, observed Eden. “I like things the way they are,” she added. Danielson moved to change the “short form of the Council’s name” to Northwest Power and Conservation Council and adopt a new logo. Karier seconded, and the motion passed 6-0, with Eden and Derfler voting no.

11. Update on the work of the Citizens’ Forum

Lynne Chamberlain Buchanan, Oregon Wheat Growers League; and Kathryn Brigham, Confederated Tribes of the Umatilla Indian Reservation

A panel from the Citizens’ Forum, based in Pendleton, Oregon, made a presentation to the Council on their activities and presented a recently completed White Paper on Hatcheries and Salmon Recovery. Lynne Chamberlain-Buchanan of the Oregon Wheat Growers League explained that the group began as a result of contacts initiated by the Wheat Growers and the Umatilla Tribes. Those discussions identified two issues of common interest: the need to recover salmon and to maintain the local economy, she said.

In 1999 and 2000, working with a facilitator funded by a \$5,000 grant from the Council, they were able to broaden the group’s membership to include representatives from the timber industry, sport fishing industry, and the local electric cooperative, Chamberlain-Buchanan said. We have learned to work together and the white paper is our first product, she stated.

Gary Burke, chairman of the Confederated Tribes of the Umatilla Indian Reservation (CTUIR), said the tribes are glad to be part of the forum and that he likes the communications aspect of the forum. Kat Brigham of the CTUIR said “we are proud of our white paper” and are asking other organizations to support it. Brigham said the Citizens’ Forum is working on five H’s, with the fifth being “human.”

Bruce Buckmaster, president of Bio-Oregon, Inc. in Warrenton, Oregon, and Dennis Richey of the Oregon Anglers expressed support for the Forum’s work. Steve Eldridge of Umatilla Electric Cooperative emphasized the value of local decisionmaking and the Umatilla Basin Plan. Jerry Grossnickle of the Columbia River Towboat Association said the group is able to come to

consensus on items that benefit salmon without injuring the economic engine of the region, which is the river. Bill Mulligan of Three Rivers Timber in Kamiah, Idaho, said this is “one of the rare groups that doesn’t depend on litigation to solve their problems.”

We’re letting you know the money you gave us was well-spent, said Chamberlain-Buchanan. We are hoping you will contribute another \$5,000 to let us continue our work on other issues -- we need just a little bit of momentum to go forward, she said.

There’s nothing more rewarding than hearing that our dollars are working toward positive results, said Cassidy. We’ll take your funding request under consideration and put it into our process, he added.

12. Discussion on Level III regional coordination of subbasin planning

Peter Paquet

Staffer Peter Paquet briefed the Council on actions taken to resolve concerns, raised by the Fish Committee, about the Subbasin Planning “Level 3” process. He said there was a concern with “a lack of direction and organization” associated with Regional Coordinating Group meetings and confusion over the origin of some products of regional significance. Paquet said staff had prepared a memorandum discussing the causes of the problems and how they might be solved. The Fish Committee endorsed the suggestions offered in the memo and told staff to try to implement the solutions, he explained. We’re “on our way with this,” said Danielson, thanking staff for their work.

13. Council Business

– Approval of Minutes

Decision – Approval of December minutes

Danielson moved that the Council approve the minutes for the December 10-12, 2002 meeting. Karier seconded, and the motion passed unanimously.

– IEAB Task orders

Decision – Approve Tasks 72 and 73

Staffer Steve Crow explained the need for two task orders to support the work of the Independent Economic Analysis Board (IEAB). Danielson moved that the Council approve Task 72, in an amount not to exceed \$13,180, to fund, in part, IEAB participation in a retreat with the Independent Scientific Review Panel and the Independent Scientific Advisory Board to identify and prioritize research activities for the Council’s 2004 fish and wildlife research plan. Karier seconded, and the motion passed unanimously.

Danielson moved that the Council approve Task 73, in an amount not to exceed \$15,600 to fund IEAB technical guidance to subbasin planners on incorporating economic considerations into their plans. Karier seconded, and the motion passed unanimously.

– **Delegation Letter**

Staffer Mark Walker explained that legislation has been proposed that would give the Bureau of Reclamation the authority to do offsite mitigation work, such as passage improvements, on non-Reclamation land. Oregon Senator Gordon Smith has sent the bill to the region asking for comment before deciding to introduce it, he said. The bill requires a local cost share, in which Reclamation would provide 65 percent of the funds, and a local community would have to provide 35 percent, Walker noted. It also says that Bonneville funds cannot be used for the local share, he added.

We want Reclamation to do offsite mitigation, but for the cost-share, we want to be able to include Bonneville funds, Karier said. He urged the Council to take a position on the proposed legislation. Why is there a prohibition on using Bonneville funds? Hines asked. I'm not sure, but this "has the fingerprints of OMB," Walker replied.

If we send a letter, it should go to the entire delegation, Kempton said. Our letter should make it clear that Bonneville funds are not federal funds and indicate that Reclamation should coordinate with the Council, he stated. At Kempton's suggestion, staff said it would send a draft comment letter out for review by Council members.

– **Election of Officers**

Decision – Danielson and Karier elected

Bartlett nominated Danielson to be the Council chair for the upcoming year. Hines seconded, and Danielson was elected unanimously. Danielson nominated Karier as vice-chair; Bartlett seconded, and Karier was elected unanimously.

Danielson acknowledged Cassidy's great leadership during his three years as Council chairman. Karier told Cassidy he had pushed the Council to higher standards of openness and accountability.

Approved February 28, 2003

Signed by Tom Karier

Thomas Karier
Vice-Chair

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