NORTHWEST POWER PLANNING COUNCIL

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Council Meeting
Council Central Offices
851 SW Sixth Avenue, Suite 1100
Portland, OR 97204

February 18-20, 2003

Minutes

Council Member Ed Bartlett of Montana was absent from the meeting.

Decision – Add Agenda Item

John Hines made a motion that the Council add a briefing on Bonneville's current Safety Net Cost Recovery Adjustment Clause rate case to its agenda on Wednesday afternoon. Larry Cassidy seconded the motion, and it passed unanimously.

Jim Kempton gave a brief report on the Power Committee meeting, noting that the members heard from a panel of large industrial power users, were briefed on a demand-response issue paper for the Power Plan; and received a status report on the Bonneville response to the joint customer proposal for the future role of Bonneville. The schedule for Bonneville to develop its own proposal for the future has been delayed, he said. The agency intends to pick up that work again in June, with a proposal slated for the end of the year, Kempton said. He also reported that Tom Karier is serving on a committee with Bonneville's Transmission Business Line to consider alternatives to constructing new power lines.

Chair Judi Danielson, standing in for Ed Bartlett, gave a report on the Fish and Wildlife Committee meeting. In March, the Council will begin reviewing mainstem fish and wildlife projects and will also be considering a revised call for recommendations for subbasin plans, she said. The committee had a presentation on Bonneville financial issues and an update on the Artificial Production Review report, Danielson said. The APR report "is a sleeper" that portends a lot of work in June and July, she added. We heard from the U.S. Fish and Wildlife Service on subbasin planning and the ESA, and we talked about how to integrate their work with our own, Danielson concluded.

1. Remarks on Bonneville Power Administration's Financial Condition & Bonneville's Future Role

Steve Wright, Administrator, Bonneville Power Administration

Bonneville Administrator Steve Wright topped the agenda, delivering a somber message on his agency's financial situation. Bonneville is struggling with three fundamental financial problems, he said: liquidity, a net revenue gap, and access to capital. Bonneville started the fiscal year with low cash reserves, and with streamflow forecasts well below normal, the agency doesn't expect the situation to improve soon, Wright indicated. We are exploring the tools available to us to address a serious cash situation, he said.

Bonneville's net revenues and expenses across the FY 2002 to 2006 rate period show there will be a deficit, according to Wright. We lost $300 million in each of the last two years, he pointed out, adding that Bonneville has to get its revenues and expenses back in line with each other. Bonneville's borrowing authority with the U.S. Treasury has almost reached its limit, Wright continued. Last week, Congress passed a bill that gives Bonneville an additional $700 million in borrowing authority, he reported. Bonneville has some concerns about language in the bill, and the amount is less than we wanted, Wright acknowledged. "It lessens our problem, but it doesn't solve it," he stated. Wright thanked the Council for supporting Bonneville's effort to increase its ability to borrow. "It's a major step forward and creates a cushion for us," he said.

One of the issues you are now struggling with will help us resolve some of our problem, Wright continued, referring to the Council's work to recommend cuts to Bonneville's FY 2003 fish and wildlife expenses. I'm pleased with your engagement on a difficult task, he said. You've asked whether we will accept what you send us, but I can't answer that, since I don't know what the Council will recommend, Wright stated. I am glad to see our staffs working together, and "I have high hopes for what we will see" from you, he added.

Wright said he is also concerned about fish and wildlife expenses in FY 2004-2006 and asked for the Council's help. Bonneville will need to make a decision on fish and wildlife spending in its rate proceeding for the Safety Net Cost Recovery Adjustment Clause (SN CRAC), he indicated. We would like a response from you by March 21, so we can include the figure in our rate case, Wright added.

A key lesson learned from the 2000 rate case is that we did not have enough buy-in on costs, he went on. That was not so much the case with fish and wildlife, but with Corps of Engineers, Bureau of Reclamation, and Energy Northwest generating projects, Wright said. In the SN CRAC proceeding, we're testing numbers with the region so we have more buy-in, he stated.

Bonneville is ready to talk about capitalization of land acquisitions, Wright said, adding that there are implications for the agency's bond rating. While the increased borrowing authority will help, Bonneville needs to think carefully about how it allocates capital, he noted.

Wright said he is concerned about press reports around the region that Bonneville "is singling out" fish and wildlife expenses in dealing with its financial crisis. "We are trying to put the same question to all of our expenses," and "we are continuing to challenge our other cost partners" to reduce expenses, he said. We are doing what we can to decrease what now looks like a 15

percent SN rate increase, Wright indicated. I look forward to hearing from you on the fish and wildlife budget later this week, he concluded.

"You will hear from us, there is no doubt about that," Chair Judi Danielson responded. She said the "silver lining in this dark cloud" has been the way Council and Bonneville staffs have worked together. The Council is committed to holding the line at $139 million for the fish and wildlife expenses, Danielson said. The question of 2004-2006 "is on deck," and we'll respond to that as well, but we have policy issues on that topic we need to discuss, she stated.

John Hines asked for Wright's view on the carry-forward of funds in the fish and wildlife program. I'm willing to discuss carry-forward, Wright responded, adding that he hopes to see a fish and wildlife budget under $139 million for 2004-2006. We need to talk about that, Gene Derfler said. If you want us to spend less than $139 million, give us a target, he urged.

Wright said he did not want to get into "an appropriations mode," where people spend all the money allocated in one year, even if it is not needed. If a project comes in under budget, the remaining money shouldn't automatically go to another project – we want scientifically reviewed, approved projects, he said. Wright added that he had not offered a target number because Council members said they wanted to work through their process first to see where it ended up.

Tom Karier congratulated Wright on successfully leading the effort to increase Bonneville's borrowing authority. "It's not the end of the struggle, but it's a good start," he said. The announcement of your SN CRAC rate case said Bonneville has a 26 percent chance of making its Treasury payment this year. Do we have "a potentially huge political problem" in that case? Karier asked.

Wright described the circumstances under which the SN CRAC triggers, noting one of the conditions is a 50 percent or lower chance of Bonneville being able to make its Treasury payment. We know we can't recover enough revenue in the current year, given the rate process we must go through, but we're looking at recovering revenue in future years to make up the difference, he said. We've always known the SN CRAC wouldn't help us within a particular year and that we would look to an emergency tool, like borrowing, to make the payment, Wright stated. The SN CRAC would give us the revenue to cover those costs later, he said.

Larry Cassidy said there are situations in which a carry-forward of fish and wildlife funds makes sense. Under the rules Bonneville has laid out, a project sponsor cannot carry forward funds to pay for an equipment part that is late being delivered from a manufacturer, he said. We have to have exceptions to cover things that happen in business, Cassidy added.

I'll take this issue back and discuss it with staff, Wright responded.

2. Presentation from Independent Scientific Advisory Board on Flow Augmentation

Dr. Charles Coutant, Oak Ridge National Laboratory; and Dr. Richard Whitney, ad hoc member, ISAB

John Shurts explained that the Independent Scientific Advisory Board (ISAB) presentation on flow augmentation has a direct link to the mainstem amendments the Council is considering. Questions about the relationship of flow to salmonid survival have been with us for a long time, but the mainstem amendments sharpened the focus on these issues, he said. The Council asked the ISAB to address a number of questions, and the Columbia River Inter-Tribal Fish Commission (CRITFC) added several as well, Shurts said. He pointed out that the deadline for comments on the mainstem amendments was February 7, but the Council is providing an opportunity for comment on the ISAB flow augmentation report until February 25.

Dr. Charles Coutant of the Oak Ridge National Laboratory said the Council asked the ISAB in November 2002 to update and clarify its flow augmentation evaluation. The issue of flow augmentation "has troubled the region for decades," he said, adding that the ISAB review was timely for several reasons, including the Council's mainstem amendments, flow commitments for the Endangered Species Act (ESA), and uncertainties raised by the Giorgi report.

The ISAB took a fresh look at flow, smolt survival, and the prevailing paradigm of flow augmentation, Coutant said. He explained that the ISAB's review was based largely on information from the lower Snake River, since that is where the best data is available, and it focused on reach survival.

The ISAB review found that "the prevailing rationale for flow augmentation is inadequate," given the data "in hand," and that there are alternative scientific explanations for the survival data, Coutant stated. In addition, the ISAB found there are alternative ways to manage the hydrosystem to benefit fish, he said.

"The present evidence does not support a simple and consistent relationship between flow and reach survival" over most of the range of flows that now occur in the lower Snake, Coutant reported. Reach survival has been markedly lower during the lowest flows in the past decade, but evidence suggests that may be due to flow fluctuations, rather than to average daily flows, which is what most people have looked at over the years, he stated. The ISAB hypothesized that managing the flow fluctuations within a day during low flows might benefit reach survival, Coutant indicated.

Cassidy asked how the ISAB defines flow. It is the discharge in the river, Coutant responded, adding that people tend to average flows in various ways. Generally people use average flows to explain survival, but we are finding that hourly fluctuations may be more important, he said.

Coutant explained that normal flow patterns were changed by the hydrosystem, and in particular, peak flows were diminished, which was detrimental to fish survival. In 1982, the Council's fish and wildlife program added a "water budget" for fish, which we now call flow augmentation, he said. Flow augmentation does not restore the original flows, it just adds water, and it has been

contentious from the outset because of competing uses for the water, such as hydropower, irrigation, and recreation, according to Coutant.

Dr. Richard Whitney, an ad hoc ISAB member, went over several graphs of flows and survival data for yearling chinook that suggest the prevailing flow-augmentation paradigm in the Columbia system – "incrementally more water, more fish" – does not agree with the available information. The PIT-tag data from 1996 to 2002 show a more complex pattern, he stated. The data fell into "a broken stick" pattern, which suggests there is a point at which survival levels off even with higher flows, Whitney indicated. He said NOAA Fisheries research indicates survival peaks at flows of 96.4 thousand cubic feet per second (kcfs) for yearling chinook and 101 kcfs for steelhead. For subyearlings, the point seems to be about 50 kcfs, Whitney added. The data plots suggest there are different mechanisms at work under high and low flows, he reported.

Radiotelemetry studies of fish behavior show behavior "remarkably consistent" with PIT-tag data, Coutant said. The radiotelemetry studies, conducted independently by the U.S. Geological Service for the Corps, show that smolts begin to wander in the forebay and swim upstream at flows over 100 kcfs, he said.

The research confirms that "a fish isn't a fish, isn't a fish," Coutant pointed out, noting that chinook and steelhead migrants react differently to flow. The ISAB review suggests a different rationale than just flow for the smolt survival and behavior data, and the different rationale has implications for water management, he said.

The ISAB plotted hourly flow rates out of Lower Granite and considered the frequency of fluctuations in discharge rates at various flow levels, Whitney explained. At the lower flow levels, they found a higher percentage of fluctuations, he pointed out.

The fluctuations occur in every year, regardless of flow, Coutant said. But there is less fluctuation in hourly flows when flows are high, and as flows decline, the relative importance of the fluctuations increases, he said. Flows out of the system decrease later in the migration season, so the fall chinook are seeing "wild fluctuations" in hourly flow, Coutant pointed out. The fluctuations induce complex reservoir hydraulics and create a sort of "bathtub sloshing," he said. The oscillations can even induce flow reversal, all of which is likely to confuse migrating smolts, Coutant explained. He said the oscillations go deep into the water, and the ISAB hypothesizes that at lower flows, smolts do not have the behavior cues for migration.

Several graphics showed variations in riverine turbulence behind a dam. The ISAB surmises riverine turbulence, which varies with high, low, and fluctuating flow conditions, affects travel time and whether smolts go directly through the dam or become disoriented and wander in the forebay, Coutant said. We don't have much data about reservoir hydraulics, and we need more, he stated.

In summary, Whitney said four factors appear to be at work in low-flow conditions: rapid fluctuations, complex reservoir hydraulics, changes in fish migration behavior, and accompanying changes in mortality. The ISAB concluded that "incrementally more water at high flows (flow augmentation) has little effect on reach survival in the lower Snake, and

management approaches that stabilize flows may be more important at low flows in the lower Snake than adding small amounts of water, he said.

The ISAB made other observations in the course of the research, including the importance of temperature control in its own right and not just as a component of flow augmentation, Coutant said. Water clarity and gas supersaturation also influence migration and survival, but the effects are difficult to separate out in the data, he said.

The ISAB pointed out that the Mid-Columbia and lower Columbia reaches are less well studied, and there is not as much survival data available. Whitney said. Little effect of flow on survival has been demonstrated in these areas, except in the Hanford Reach, he explained. Stable flows are the objective of operations in the Hanford Reach, and "the fish are surviving better," Whitney said.

Reach survival is not the whole story, but only one component of travel time to the ocean, Coutant pointed out. The timing of ocean entry and contribution of flow to the plume may overshadow survival effects at upriver dams and reservoirs, he said. And flow may be important for reasons other than survival in the Snake River reach, Coutant added.

As for the Council's mainstem amendments on the lower Snake, it's unlikely there would be major effects on yearlings at flows between 100 and 200 kcfs, he said. But there is the potential for detrimental effects in July and early August at low flows (near or below 50 kcfs) compared to the Biological Opinion (BiOp) operation, Coutant said. The Council's proposal could make the situation worse because it decreases flows, which could lead to the higher fluctuations that occur under low-flow conditions, he noted.

We also looked at questions related to the balance between anadromous and resident fish, Coutant continued. It's clear from earlier studies that drawdowns of storage reservoirs harm resident fish populations, and there is a need to balance the needs of upstream fish with the needs of the juvenile salmon migration, he said. In earlier reviews, the Montana rule curves were judged to be a good start, Coutant added.

Why isn't there more study of adults? Derfler asked. We need to look at the full lifecycle since reach survival is only part of the question, Coutant acknowledged, adding that "the bottom line" is getting adults back. There have been studies of smolt-to-adult returns, but the assumption was made in the Council strategy that if you increase the number of juveniles going out, you'll get more adults coming back, Whitney added.

You have given us a new approach to test: stable flows, Karier said. He asked about the risk to steelhead of such testing. Whitney said steelhead are very vulnerable to "residualization," in which they decline to migrate. Both Whitney and Coutant agreed a test with stabilizing flows could be undertaken. "My prediction is the result would be quickly apparent," Whitney said.

A big question for the Council is whether you could stabilize the flows and still have a reliable electricity system, Cassidy commented.

3. Review of Mainstem Amendment comments

John Shurts, general counsel; Bruce Suzumoto, manager, special projects; and John Fazio, Senior power systems analyst

Staffer John Shurts said the Council received about 200 comments on the proposed mainstem amendments. While we've closed the door on all but comment on the ISAB flow augmentation report, we are not in ex parte, he advised, adding that Council members should make a note for the record if they talk to others concerning the amendment.

Comments came in from fish and wildlife agencies, and from upriver and downriver tribes, Shurts said, adding that while the U.S. Fish and Wildlife Service (USFWS) sent comments, NOAA Fisheries did not. We also got a lengthy "consensus" comment from the anadromous fish managers, he noted. We received comments from the action agencies (the Corps of Engineers, Bureau of Reclamation, and Bonneville); extensive comments from Bonneville customers, including power industry organizations and individual utilities; and many from other industrial water and power users, such as irrigators, irrigation districts, and canal companies, Shurts continued. We also heard from local governments; many environmental groups, including salmon advocacy organizations; and lower river and reservoir fishing interests, he said. There was extensive comment from the general public, Shurts stated.

The bottom line is there was "very little of surprise," in the comments, he said. Most of the comments were from interests that have been active on these issues in the past, and we are aware of their positions, Shurts said.

He summarized the comment as follows: There was vehement objection to reducing the BiOp flows or changing spill, including threats of litigation if we were to do so. Other commentors, including Bonneville customers, wanted to see the Council be even more aggressive in backing away from flow augmentation. With regard to our approach to the amendments, there was sentiment that the Council was not deferential enough to the agencies and tribes, and CRITFC said it did not see its recommended goals in our proposal. Generally, we had support for using the BiOp as a baseline for operations, but some people wanted us to delineate more clearly the contrasts between our proposal and the BiOp. We got the comment that balance between resident and anadromous fish is important, but also that anadromous fish are given more recognition in the Northwest Power Act. There were comments on cost, some saying there is too much emphasis on it in the draft, others saying not enough.

The 2 to 6 percent SARs standard drew a lot of comment, with fish and wildlife agencies saying to adopt it. Another group of comments from Bonneville customers said not to adopt the standard, since it depends too much on factors outside the mainstem. Some commentors said we should link our amendments to the Environmental Protection Agency's work on "TMDLs," but others said to stay away from that process.

There were comments about dam breaching and questions about whether the Council is taking the same position as the NOAA Fisheries BiOp with regard to breaching. People also asked about drawdowns from the last program. There was significant comment on transportation, with people unhappy about the "spread the risk" strategy, saying we should transport as much as possible. Others would like to see less transportation.

We were advised to be aggressive about finding the optimum spill level at each project, and most people said they did not want to see the level of spill regulated by adding a gas cap. People said the Council should focus on summer spill to help Hanford Reach spawners, and people wanted to see a specific statement on the Spring Creek Hatchery spill. We also had people disputing the harm of gas supersaturation and questioning expenditures on evaluating the incremental spill changes.

In the consensus comment from anadromous fish managers, it's clear they are not happy with the Council stepping into the oversight role of the Fish Passage Center (FPC). "This has not resonated well with the fish community," which would prefer to see the Columbia Basin Fish and Wildlife Authority continue in the management role. Other commentors thought it would be appropriate for the Council to regionalize the FPC.

We got comment that it was not appropriate to address the issue of an adequate, efficient, economical and reliable power system solely in the Power Plan. Others said the opposite, and there was comment about load following and power peaking.

In terms of water management, most people acknowledge we are moving toward a more natural hydrograph, and they are trying to identify their recommended operation as most closely following the natural conditions. Bonneville customers said the transition away from managing to BiOp flows and to reservoir elevations is the way to go, but others objected, saying the reservoirs are artificial and operations should not center on them. There is a lot of concern about the Hanford Reach and what we mean when we say to protect the operation in that reach.

There was substantial comment about alleviating the April 10 refill requirement, with vehement objection to doing so from salmon advocates and anadromous fish managers. Others said it is a good start with making the system more flexible for other operations. There were questions about whether the proposed operation would get you to refill, and if not, was there a point to the refill priority. Some commentors don't believe refill should be a higher priority than spring flow augmentation.

Most comments were agreeable to the VARQ operation at Hungry Horse and Libby and for protection of the reservoir, including stabilizing flows. But there was opposition to decreasing total flow augmentation. Some people think lack of flow in the lower river is a problem bigger than any others. With regard to Dworshak, most comments advised against being so specific.

The power interests are concerned about holding Grand Coulee elevation up in the summer and fall, and the salmon managers are unhappy because you could not draft the reservoir. Both sides opposed the operation, except for the local tribes.

Commentors asked the Council to rethink the link between providing flows for chum and impacts in the Hanford Reach and to Grand Coulee. CRITFC said the Council could be more aggressive in looking at flood control, he concluded.

Karier said the summary was informative and asked Shurts to prepare a written copy of his comments for the Council.

Staffer John Fazio said his analysis aims to put power impacts of the Council's preferred mainstem alternative in context with other mainstem recommendations. He explained there wasn't time before the meeting to analyze comments received on the current proposal, so he used recommendations made in comments from 2000. They represent a broad range of operations, from a "power-only" scenario to removing the dams, Fazio said. The power impacts are reported in the analysis as changes from the 2000 BiOp, and I used an average annual electricity price of $28 per MWh, he said.

In terms of annual firm energy, the Council's preferred alternative would result in a gain of 41 average megawatts (aMW), relative to the BiOp, Fazio stated, adding that the base is about 12,000 aMW of firm energy production. By contrast, a power-only case would yield an increase of just over 1,000 aMW, and removing the dams would decrease power production by over 2,000 aMW a year, he pointed out. The change as a result of the Council alternative "is dwarfed by these bookends," Fazio stated. The increased production under the preferred alternative would raise about $8 million in additional revenues, which "is in the noise," compared with Bonneville's annual budget of over $3 billion, he said.

The preferred alternative would reduce spring flows at McNary by 2,500 cubic feet per second (cfs), more than any operation except the power-only case, Fazio continued. The alternative would reduce summer flows by 8,200 cfs, he said. This is not news, since the Council recognized its alternative would reduce spring and summer flows, Fazio stated.

In his analysis, Fazio considered a reservoir operation similar to the preferred alternative, but with an operation at Grand Coulee that adheres to the BiOp constraints, including refill to flood control elevations by April 10 and setting an August 31 draft limit of 1,280 feet, or 1,278 feet in dry years. He called this Alternative 2. The Alternative 2 operation in a dry year resulted in changes to flow augmentation volumes that Fazio characterized as "getting us halfway back" to what is called for in the BiOp, since most spring flow augmentation comes from Grand Coulee.

Under Alternative 2, spring flows at McNary would be the same as the BiOp, and there would be a smaller change in summer flows, he said. Other impacts of Alternative 2 include a longer water retention time in Grand Coulee, which means longer nutrient retention for resident fish, Fazio explained. He pointed out that Alternative 2 would cost the region about $3 million more than the cost of the Council's preferred alternative, which is "essentially zero."

4. Council Decision on Approval of Proposed Subbasin Planning Work Plans

Lynn Palensky, Subbasin Planning Coordinator

Staffer Lynn Palensky reported that planners are ready to go in seven subbasins, save for the $900,000 in contracts that will fund their work. She said staff recommends approval of FY 2003-04 contracts for the Wenatchee Subbasin, totaling $196, 570; Chelan Subbasin, totaling $56,859; Upper Middle Mainstem Columbia Subbasin, totaling $155,761; Snake Hells Canyon Subbasin, totaling $163,430; Entiat Subbasin, totaling $97,475; Methow Subbasin, totaling $196,570; Okanogan Subbasin, totaling $196,571; and for a $208,000 contract for technical support to six of the subbasins.

Decision – Contract with the Nez Perce Tribe

Kempton made a motion that the Council authorize the Executive Director to negotiate a contract with the Nez Perce Tribe, observing the terms and conditions of the Council's Master Contract with Bonneville for subbasin planning and following the Council's standard contracting policies and procedures, in an amount not to exceed $163,430 to develop a subbasin plan for the Snake Hells Canyon Subbasin, as approved by and submitted through the Idaho Level II Coordination Group. Karier seconded the motion, and the Council voted unanimously to approve it.

Decision – Contracts for Wenatchee Subbasin

Karier made a motion that the Council authorize the Executive director to negotiate three contracts for the development of a subbasin plan for the Wenatchee Subbasin, observing the terms and conditions of the Council's Master Contract with Bonneville for subbasin planning and following the Council's standard contracting policies and procedures:

- with the Yakama Nation, in an amount not to exceed $117,757;
- with Chelan County, in an amount not to exceed $61,913; and
- with the Washington Department of Fish and Wildlife, in an amount not to exceed $16,900,

as approved by and submitted through the Upper Columbia Salmon Recovery Board. Cassidy seconded the motion, and the Council voted unanimously to approve it.

Decision – Contracts for Chelan Subbasin

Karier made a motion that the Council authorize the Executive director to negotiate two contracts for the development of a subbasin plan for the Chelan Subbasin, observing the terms and conditions of the Council's Master Contract with Bonneville for subbasin planning and following the Council's standard contracting policies and procedures:

- with Chelan County, in an amount not to exceed $34,726; and
- with the Washington Department of Fish and Wildlife, in an amount not to exceed $22,133,

as approved by and submitted through the Upper Columbia Salmon Recovery Board. Cassidy seconded the motion, and the Council voted unanimously to approve it.

Decision – Contracts for Upper Middle Mainstem Columbia

Karier made a motion that the Council authorize the Executive director to negotiate two contracts for the development of a subbasin plan for the Upper Middle Mainstem Columbia Subbasin, observing the terms and conditions of the Council's Master Contract with Bonneville for subbasin planning and following the Council's standard contracting policies and procedures:

- with Douglas County, in an amount not to exceed $113,136; and
- with the Washington Department of Fish and Wildlife, in an amount not to exceed $42,625,

as approved by and submitted through the Upper Columbia Salmon Recovery Board. Cassidy seconded the motion, and the Council voted unanimously to approve it.

Decision – Contracts for Entiat Subbasin

Karier made a motion that the Council authorize the Executive director to negotiate two contracts for the development of a subbasin plan for the Entiat Subbasin, observing the terms and

conditions of the Council's Master Contract with Bonneville for subbasin planning and following the Council's standard contracting policies and procedures:

- with Chelan County, in an amount not to exceed $30,928;
- with the Yakama Nation, in an amount not to exceed 51,727; and
- with the Washington Department of Fish and Wildlife, in an amount not to exceed $14,820,

as approved by and submitted through the Upper Columbia Salmon Recovery Board. Cassidy seconded the motion, and the Council voted unanimously to approve it.

Decision – Contracts for Methow Subbasin

Karier made a motion that the Council authorize the Executive director to negotiate two contracts for the development of a subbasin plan for the Methow Subbasin, observing the terms and conditions of the Council's Master Contract with Bonneville for subbasin planning and following the Council's standard contracting policies and procedures:

- with Okanogan County, in an amount not to exceed $142,710; and
- with the Washington Department of Fish and Wildlife, in an amount not to exceed $53,860,

as approved by and submitted through the Upper Columbia Salmon Recovery Board. Cassidy seconded the motion, and the Council voted unanimously to approve it.

Decision – Contracts for Okanogan Subbasin

Karier made a motion that the Council authorize the Executive director to negotiate two contracts for the development of a subbasin plan for the Okanogan Subbasin, observing the terms and conditions of the Council's Master Contract with Bonneville for subbasin planning and following the Council's standard contracting policies and procedures:

- with Okanogan County, in an amount not to exceed $78,153;
- with the Colville Confederated Tribes, in an amount not to exceed $106,978; and
- with the Washington Department of Fish and Wildlife, in an amount not to exceed $11,440,

as approved by and submitted through the Upper Columbia Salmon Recovery Board. Cassidy seconded the motion, and the Council voted unanimously to approve it.

Decision – Contract with North Central Washington Resources Conservation & Development Council

Karier made a motion that the Council authorize the Executive director to negotiate a contract with the North Central Washington Resources Conservation and Development Council, in an amount not exceed $208,000, to provide technical assistance and related work products to six subbasins in the Columbia Cascade Province, observing the terms and conditions of the Council's Master Contract with Bonneville for subbasin planning and following the Council's standard contracting policies and procedures, as approved by and submitted through the Upper Columbia Salmon Recovery Board. Cassidy seconded the motion, and the Council voted unanimously to approve it.

5. Presentation on Turbine Operating Efficiency and Fish Survival

Dr. John Skalski, School of Aquatic Science, University of Washington

Dr. John Skalski of the University of Washington reported on his research into the effects of turbine operating efficiency on smolt passage survival. All of the data he used estimated direct mortality from a Kaplan turbine, he explained.

In its 1994 fish and wildlife program, the Council called for operating turbines within 1 percent of peak operating efficiency during the anadromous fish migration from April through August, and the 1995 BiOp called for the same operation at all eight mainstem federal dams on the Snake and Columbia rivers, Skalski said.

The BiOp also said turbine survival is directly related to turbine efficiency, but noted that the precise benefits of turbine efficiency are unknown, he explained. The assumption is that the best condition for fish is also the best condition for generating power, Skalski said, pointing out that the 2000 BiOp also required the plus or minus (±) 1 percent turbine operation.

"If this is the rule of the road, then how good is the rule?" he asked.

The 1981 Bell report was the basis for the ± 1 percent operating rule in the basin, Skalski said. The report took information from 1964 and 1966 studies at Big Cliff Dam, which evaluated the survival of chinook salmon through Kaplan turbine units, he said. While only one of the two studies found a correlation between survival and turbine efficiency, data from the studies were combined, which produced a correlation, according to Skalski. Bell found that the data offer some support for concluding that the best points of machine efficiency should give the highest fish passage survival, he explained.

A number of studies have since been conducted, Skalski said, including Lower Granite in 1995, Wanapum in 1996, Rocky Reach in 1997, Bonneville Dam in 2000, and McNary in 2002. He described the study design in each instance, including the number and type of Kaplan turbines, operating levels, smolt release locations, and the type of fish.

At Lower Granite, there was no correlation between peak survival and peak efficiency; at Wanapum, there was no correlation, although the release location seemed to affect survival; and at Rocky Reach, there was no correlation, according to Skalski. For the first time in four studies, researchers found a correlation at Bonneville, where fish were released in three locations, he said. For two of the release locations, there was a correlation, but none with the third, Skalski said. And in the 2002 study at McNary, no relationship was found, he said. In eight of the 10 data plots for the Columbia basin, peak survival did not occur at peak turbine efficiency, Skalski stated.

In studies outside the Columbia basin, using salmonid and non-salmonid fish populations, there was no correlation between turbine efficiency and peak survival, he said. The difference between peak survival and survival at peak efficiency was generally 2 to 2.5 percent, and as much as 3.2 percent, Skalski reported.

We may not be accomplishing anything by operating turbines at peak efficiency during migration if these results are true, he stated. The ± 1 percent operating rule needs to be examined for the new generation of turbines, Skalski concluded.

6. Discussion on 2003 Water conditions and river operations

Bruce Suzumoto; John Shurts, General counsel; Suzanne Cooper & Rick Pendergrass, Bonneville Power Administration; and Rock Peters, Corps of Engineers

Suzanne Cooper and Rick Pendergrass of Bonneville gave an update on hydro operations for what is shaping up to be a dry year. Bonneville's streamflow predictor has pegged runoff at 76.8 million acre-feet (MAF), about 70 percent of average, Cooper reported. Grand Coulee will be at its upper flood control elevation of 1,283 feet in mid-April, and refilling again by June 30 is a priority over achieving the May-June flow objectives at McNary, she said, noting refill is a priority in the BiOp.

The Technical Management Team (TMT) reduced the tailwater elevation at Bonneville Dam for the chum flows, a change equal to dropping from 125 kcfs to 115 kcfs of discharge, Cooper noted. The TMT said if we could keep the flow at 115 kcfs without drafting Grand Coulee, to go ahead, and "so far, we've been able to do that," she said.

Grand Coulee has a 75 percent probability of achieving the upper rule curve by April 15, Pendergrass said, and a strong likelihood of refill by June 30.

We're operating for chum and Vernita Bar now, and we're releasing non-Treaty storage water out of Canada to backfill Grand Coulee, he reported.

The probability of achieving the upper rule curve at Libby and Hungry Horse by April 15 is zero, Pendergrass said. Our model shows "there was no weather system from 1949 to 1992 that would refill those reservoirs," he explained. Dworshak is in much better shape, with a 77 percent chance of refilling, Pendergrass added. Projected spring flows at McNary show "we'll miss the BiOp flow objective 60 percent of the time," he said.

Did last year's BiOp operation create the situation in Montana? Kempton asked. At Libby, no, but at Hungry Horse, yes, Pendergrass responded, adding that if the reservoir had been fuller on September 1, it would have more water today.

The outlook at Lower Granite is not so great either, Cooper stated. The average April to June flow is projected at 78.8 kcfs, and the probability of reaching the 85 kcfs BiOp level is 36 percent, she said. If the seasonal average flows are projected to be less than 85 kcfs on the Snake, the BiOp stipulates there will be maximum transportation and no spill at Lower Granite, Little Goose, or Lower Monumental, Cooper explained.

The TMT will be dealing with other in-season management issues, including spill for the March Spring Creek Hatchery release and shaping spring flows, she continued. If you have thoughts on these, let your Regional Forum representatives know so they can get your priorities into the mix, Cooper advised.

Rock Peters of the Corps gave an update on survival research at John Day Dam. The operation at John Day is 60 percent nighttime spill up to the gas cap, and the Corps is testing 12-hour versus 24-hour spill, he explained. Our plan was to test from 2000 to 2002, but there was no spill at John Day in 2001, Peters said.

In 2000, the fish passage efficiencies (FPE) showed higher chinook passage with the 24-hour spill, but the reverse in 2002, he said. Steelhead passed more efficiently with 12-hour spill in 2000, but likewise, the reverse was true in 2002, Peters pointed out. "The system is dynamic," he acknowledged.

The 2002 survival studies showed no significant increase in FPE for any species under the 24-hour spill, he said. Project survival was higher for yearling chinook under 24-hour spill, 96.3 percent compared to 92.9 percent, Peters reported. The turbine survival rate was very low for steelhead and yearling chinook under both spill regimes, he continued. The numbers "were dismal," Peters said, with 53 to 83 percent of the fish surviving through the turbines. "I'd like to study what is going on in our John Day turbines," he added. Survival through the juvenile bypass system was high for steelhead, but dropped for yearling chinook under the 12-hour spill operation, Peters stated.

In 2003, we're going with what the agencies and tribes have recommended for research at John Day, he said. We plan to test two spill rates, Peters explained. The lower spill rate will be determined by physical modeling, Peters said. This summer, we'll repeat the 2002 test, the 12-hour versus 24-hour operation, he added. We also plan to evaluate the juvenile bypass system egress and survival, and initiate a project configuration study, Peters said.

He presented the spill survival rates at Ice Harbor Dam from 2000 and 2002. For fall chinook, the spill survival was 88 percent in both years, which is "pretty dismal compared to what we'd like," Peters stated.

In 2003, the Corps will evaluate survival at Ice Harbor, along with spill passage survival and efficiency, fish guidance efficiency, horizontal distribution, and other fish behavior information, he said. We will test two sets of spill conditions at Ice Harbor, and BiOp spills versus a yet-to-be-determined spill level, Peters added. We'll have very low water in 2003, and we have about a month to renegotiate the studies and see which we'll actually be able to do, he concluded.

Are you doing any testing on adult fallback with spill? Hines asked. Yes, but we're focusing the study of adults on the lower river, Peters replied.

Cassidy asked Peters his view on the Skalski work with regard to peak turbine efficiency and peak survival. The opening in the turbine seems to be a good predictor of survival, Peters responded. The more efficient the unit is, the better the hydraulics, and the hydraulic efficiency, coupled with the level of the opening, seems to be the key, Peters added.

Kempton asked if the Corps has done any analysis of the reservoir oscillations the ISAB has hypothesized. We're reviewing the information, Peters said. The ISAB has developed a hypothesis for testing, which could be very useful, he stated. The Council would be very interested in the Corps' view, Danielson commented.

7. Council Decision on Revised Subbasin Planning Schedule

Doug Marker, Director, Fish and Wildlife Division

Staffer John Ogan reported that the Council is issuing a limited revision to its August 12, 2002 request for recommendations for subbasin plans. The revision relates to the deadline for submitting recommendations and conducting an independent scientific review of them, he said. In the original request, we set a tiered schedule, but now we're setting a single date, May 28, 2004, for completing the subbasin plans, Ogan explained. That will leave us six or seven months for final amendments to the fish and wildlife plan, he said.

Instead of calling for scientific review of the subbasin plans after they are submitted to the Council, the revised request for recommendations suggests a final draft of each plan be reviewed by the Independent Scientific Review Panel (ISRP) prior to submission, Ogan said. The ISRP will review drafts and provide feedback, so subbasin planners can respond before they make a final submission, he explained.

How will the plans be evaluated? Kempton asked. We'll evaluate them according to the standards adopted in the 2002 fish and wildlife program and according to the Northwest Power Act, Ogan replied. We're still coordinating with NOAA Fisheries on what they want to achieve with the plans, so I can't give you specifics at this time, he said. I don't want "a second parallel process" going on with Bonneville and NOAA Fisheries, Kempton said.

I've seen many of the schedules in Washington, and planners are going to take all the time they have through May 2004, Karier said. None of them are considering this ISRP review, he added. The ISRP review of the draft is optional, not an additional requirement, Staffer Doug Marker replied. Now that people are aware of the option, they can factor it in, Ogan said.

Decision – Approved Revised Call for Recommendations

Karier made a motion that the Council approve for release the revised call for recommendations for subbasin plan amendments to the Fish and Wildlife Program as presented by staff, to include a revised schedule for submitting subbasin plan recommendations to the Council. Kempton seconded the motion, and it passed unanimously.

8. Public Comments on Demand Response Issue Paper in Preparation for the Fifth Power Plan

No one presented public comment.

Briefing on Bonneville's Safety Net Cost Recovery Adjustment Clause

[This item was added to the agenda]

Staffer Mark Walker said Bonneville notified the region February 7 that it planned to trigger the SN CRAC, which would add a 15 percent rate increase atop the 44 percent rate increase the agency implemented earlier in the rate period. Bonneville had a rate workshop, and we saw problems with the way things were being presented, he acknowledged. This is a very complex issue, and there are various ways to look at it, Walker said. The difficulty is in going back and forth from the current situation to earlier rate orders, he stated.

You have to start with the May 2000 rate case, which set the base rates for the 2002 to 2006 period, staffer John Shurts explained. At that time, Bonneville projected its costs to be about $2.4 billion and revenues about $2.5 billion, he said. In the latest SN CRAC trigger case, Bonneville is working with FY 2002 actuals and projections for 2003 through 2006, Shurts said.

From May 2000 to February 2003, Bonneville's costs increased above projections, both for augmentation, which is related to Bonneville purchasing power to cover its contract obligations, and non-augmentation, he continued. The non-augmentation costs add up to about $960 million, Shurts pointed out. The revenue side has also changed since the original rate case, he said: secondary sales are up from May 2000 projections and other revenue sources are down. What came out in the rate workshop is that the augmentation costs have been covered by the previously imposed CRACs (load based and financial based), but the non-augmentation costs have not been covered, Shurts explained. The pressure right now is on the SN CRAC to cover the non-augmentation costs, he said.

In June 2001, Bonneville was facing dramatically increasing power costs plus a drought, and it undertook a supplemental rate case, Shurts went on. Bonneville put in place the CRAC structure and also new projections for secondary revenues, which were substantially greater than what was projected in May 2000, he said. We expected about $1 billion in additional secondary revenue, according to Kim Leathley of Bonneville.

Since the 2001 supplemental rate case, Bonneville has not gotten the revenue anticipated from secondary sales and has seen reductions in the amount it receives as fish credits, Shurts said. The main thing is the lack of secondary sales revenue, which is ahead of what was projected in the May 2000 case, but lags the 2001 projections, he explained.

The two previous CRACs covered "the energy crisis," and the remaining costs are deviations from the original rate case, Karier commented. Will a 15 percent increase cover the additional costs? Derfler asked. Bonneville talks about a $900 million revenue gap, and this increase raises about $300 million a year for three years, Walker responded.

Is Bonneville's goal to go back to the 2001 actual costs? Danielson asked. We have a management plan in place to achieve that, Leathley said. Our total internal operating costs will be below that figure, she added.

So you are not making across-the-board cuts? Danielson asked. Leathley indicated some costs have been shifted within Bonneville since the 2001 projections, and some departments offer more potential for cuts than others. The most relevant figure is the total of the cuts, she added.

Jim Kempton asked about the pressure on Bonneville to lower its operating costs in the May 2000 rate case. Leathley said that prior to May 2000, Bonneville was under enormous pressure to reduce its costs. The priority firm rate was above market, and we had taken the recommendations from the Cost Review and the Comprehensive Review and were on a path to a very simple, pared down operation, she explained. The impact of the West Coast energy crisis went beyond the cost of power to augment our system; the crisis reshaped what people wanted from Bonneville, Leathley said. No one wanted any risk with nuclear plant or hydro system reliability, and interests in the region made a compelling case for increased spending on conservation and renewables, she explained. In addition, customers wanted more complex contracts, like the Slice of the System, according to Leathley. We were on a plan to manage to low levels, and with the energy crisis, the expectations in the region changed, she said.

The region wanted Bonneville to become "a lean, mean power machine" in the 2000 rate case, but did you ever get to the structure anticipated? Kempton asked. I suspect Bonneville never reduced its management structure, he commented. Bonneville never had the opportunity, Leathley responded. We had from mid-1999 to 2000 to develop plans and get on "a glide path," but in May 2000, "the world changed on us," and we shifted our focus, she said.

If Bonneville is going back to its 2001 expense levels, why do you need a 15 percent increase? Hines asked. The net revenue gap we are trying to fill already anticipates us getting down to the 2001 actuals, Leathley responded.

Karier said Bonneville and its fish and wildlife spending "shouldn't get off the hook" so easily. There has been a 24 percent increase each year in overhead for the program, but we have not seen an increase in productivity, he pointed out. That "leads to skepticism," Karier stated.

Melinda Eden asked what Bonneville's revenue projections were in 2001 that turned out to be so erroneous. In 2001, we were looking at a firm power market that was $70 to $80 per megawatt (MW), Leathley responded. We used the output of the Aurora model and came up with what we viewed as "a conservative position," expecting to receive $57 per MW in 2002 and $33 in 2004 to 2006, she said. "It seemed very reasonable at the time," but in fact we actually received $22 in 2002, Leathley acknowledged.

Bonneville thought that the increased revenues would cover expenses that were not declining as expected, Shurts said. We expected to see lots of revenue come in to cover those expenses, Leathley agreed.

A big part of the problem is on the expense side, Danielson commented. That's what we believe, Walker responded.

"This spreadsheet doesn't show you getting out of the red ink," Cassidy observed.

9. Council Decision on comments to the Federal Energy Regulatory Commission re: Standard market Design

Dick Watson, Director, Power Division

Staffer Wally Gibson said the Federal Energy Regulatory Commission (FERC) will take comments on certain Standard Market Design (SMD) issues until February 28, 2003, and the Power Committee has addressed additional comments to FERC on resource adequacy. FERC has also recognized our efforts with a Regional Transmission Organization (RTO), and in our comments, we have added a paragraph saying we appreciate the Commission's openness on this issue, he stated.

In the Council's comments on a proposed resource adequacy standard, we point out things about the region's hydrosystem that explain why we don't believe a national standard will work, Gibson said. We point out that the solution proposed by FERC could result in higher prices for a region like the Northwest, he indicated. We tell FERC that we are taking appropriate steps to deal with resource adequacy, including our regional forum process, Gibson explained.

Kempton said the language in the proposed comments now before the Council was crafted in the Power Committee, but it did not receive unanimous endorsement from the committee. He noted that Derfler was uncomfortable with the language as proposed.

The Oregon PUC feels SMD is needed to create a true market in electricity, Derfler said. He said he would be fine with the comments if paragraphs six and seven were dropped, since six reiterates the Council's contention that the SMD proposal is seriously flawed and seven encourages the Commission to be open to regionally developed solutions. From the Montana perspective, we agree that some parts of the SMD are necessary for a functioning market, but we don't agree with the resource adequacy standards, Hines stated. We feel we need more local control, he added.

Karier pointed out that some new language the Power Committee drafted attempts to accommodate Derfler's point of view. But the way FERC has written its SMD proposal would be problematic for the Northwest, he said. We could do better for the Northwest than FERC has, Karier added.

I'll vote for the comments, but I want to register an objection to paragraph 6, Eden stated. I would remove the reference to the SMD rule being "seriously flawed" and our advice that FERC reject this policy as presented, she said.

Decision – Approved Comments to FERC

Kempton made a motion that the Council approve for the signature of the Chair the comment on resource adequacy for submission to the Federal Energy Regulatory Commission in its rulemaking on Standard Market Design. Hines seconded the motion. The Council voted to pass the motion, six to one, with Derfler voting no.

10. Council Decision on Recommendations to Bonneville for Fish & Wildlife Project Spending for FY 2003

Doug Marker, John Ogan, Senior Counsel; and Mark Fritsch, fish production coordinator

Marker said the Council received a pared down fish and wildlife budget of $137,364,422 at its special meeting February 13, which is within the $139 million cap sought by Bonneville, with a margin for error. Staff has since sought additional comment from Bonneville staff and project sponsors, he reported.

The major comment from sponsors was that the process doesn't allow them to catch up with work that was needed, but not done in 2002 or has not yet been billed, Marker said. This carryover issue needs a lot of discussion and needs to be resolved, he said.

We approached this project review with a goal of preserving the integrity of our provincial review process, according to Marker. We managed to preserve projects for non-listed species, while maintaining funding for critical BiOp elements, he added.

Aside from carryover, another major problem is that Bonneville does not capitalize land purchases, expensing them instead, Marker said. We continue to assume that land acquisitions depend on capitalization, and our insistence on this has delayed any additions to the wildlife program, he explained.

Why aren't projects billed on time? Derfler asked. Marker pointed out that federal agency project sponsors make draws from other funds to cover expenses, which can lead to delays in billing Bonneville. In addition, the people doing the project work aren't doing the billing, he said. Each of the agencies has different practices, and we need better communication between Bonneville and the project sponsors, Marker said.

Sarah McNary of Bonneville said in the past Bonneville's project managers made annual estimates of what has accrued for each project, and "we found we were off by 50 percent." This year, we requested that information from the contract holders and used their estimates, she said. "It's unbelievable" a system was not in place to keep track of this, Derfler stated. We have good data on contract balances, but we need to get more accurate information on work accomplished, but not yet billed, McNary responded.

Steve Wright said he wants to see spending under $139 million in future years, Derfler stated. Has there been discussion of that? he asked. I've heard it, but what's been said is that we are to manage to $139 million per year for the rest of the rate period, Marker said.

Is there some way to work with Bonneville for an exception to this carryover rule? Cassidy asked. There has been no flexibility on carryover, Marker replied. Kempton said he viewed the ability of sponsors to carry over accruals from 2002 as crucial to the fish and wildlife program.

I think this change on carryovers is a good business practice – if a project is approved, it has to be completed in a certain timeframe, Cassidy said. But to have no transition here could hurt fish, he indicated. "We can't tune fish recovery to the needs of a bureaucratic agency that wants to make itself more accountable," Cassidy stated.

Staff recommends that the Council only support funding for projects that are reviewed by the ISRP and brought forward through the fish and wildlife program, Marker stated. There are a handful of projects that don't meet those criteria that add up to about $900,000, he noted. We recommend those be paid for with Bonneville's $12 million in internal-support funds, Marker indicated. It concerns me that projects designated by Bonneville as "BiOp critical" are "playing by different rules," he said. We have to assure that BiOp measures get the same scrutiny as those for non-listed species, Marker added. We also recommended not funding the water brokerage, which is called for in the BiOp, out of the direct program in 2003, and that is a substantial point of disagreement with Bonneville, he said.

In summary, we ended up roughly where we were last week, with $22,750,000 for placeholders and a total of $137,451,284, Marker stated. We have a package that if it is implemented correctly, will be within $139 million, he said, adding there is little room left for expansion of the mainstem/systemwide projects in 2003.

We need to capitalize all land acquisitions, and we need clear rules for managing by accrual – at this point, we don't know how to make it work, Marker said. We don't think we can work with a mechanism that tells sponsors to do all the work within a fiscal year, and if it doesn't happen, the obligation is extinguished, he explained.

Kempton pointed out that when Judi Johansen was Administrator, Bonneville furnished the Council with a policy letter that included a provision for carryover. We need to have this clear before we approve the $139 million budget, he said. It's not acceptable to do this without a carryover provision, Kempton stated, adding that in his view, the Council would have to amend its program if there is no carryover allowed.

It would be good to have the issue of carryover in our package of recommendations, Karier suggested. We could recommend that carryover is an option, when deemed necessary, but is not automatic, he said.

Kempton suggested the integrity of the Council's provincial review process is at stake in FY 2004 without an answer on carryover. Marker said the Council needs a clear picture for FY 2004. I'm concerned about Steve Wright's request that we get something to them on the FY 2004-06 budget by March 21 – "it isn't realistic," he stated. My focus is on restoring stability with our recommendations so project sponsors know what they have to work with, Marker said.

I need answers from Bonneville before we come forward with estimates for FY 2004-06, Hines stated. Karier agreed and pointed out that some attention should be given to the roster of research, monitoring, and evaluation projects. For example, Bonneville proposes to do a study of hatcheries, but the Council has spent millions of dollars doing one, Karier said.

My recommendation is to track the 2003 expenditures closely and reallocate funds within the year, if needed, Marker said. This will require careful monitoring, he added. We recommend you pass this package and forward it to Bonneville, Marker concluded.

Therese Lamb of Bonneville acknowledged the "tremendous effort" that went into the Council's recommendations. She said capitalization of land acquisitions is a big issue for Bonneville, and the agency is developing a policy on it. With regard to carryover, Lamb said it was being

considered and could be addressed either in terms of reallocating funds within the year or giving consideration on a case-by-case basis. Karier said he didn't see the two approaches as mutually exclusive. You just make sure you don't use the money both for a reallocation and a carryover, he said. Danielson said she would like to see Bonneville do daily cash-flow accounting if that is what it takes to ease "the crisis management."

Lamb acknowledged that Wright is asking for a FY 2004-06 estimate and consideration of whether $139 million "is the right number." His intent is "less cost," she said, and he is asking all programs to do this.

I need to step back "to the bigger picture," Eden said, noting she was not on the Council when it agreed to the $139 million cap. Given that $40 million will not be carried over, this adds up to a one-third reduction in the fish and wildlife program for 2003, she pointed out. I can't see myself approving the program without a provision for carryover, and I'd like to get a resolution on that before we step away from 2002, Eden stated.

"I have to reflect the outrage of the project sponsors," who spent so much time putting their projects forward, going through the ISRP review, and getting funding – and then we have to redo it all within two months, she said. "This is not a Council reprioritizing of projects, it's a Bonneville reprioritization," Eden stated. Given what I have learned in recent weeks about Bonneville's accounting practices and budgeting, I'm not convinced there isn't money elsewhere in Bonneville that could be used "to quit trashing fish and wildlife," she said. You need a top-down review of your accounting and contracting procedures, Eden said. Maybe it's time to negotiate a new MOA, so we don't get here again, she suggested.

Hines outlined several things he wanted to see in a letter to Bonneville, including Eden's sentiment that the Council is acting in response to Bonneville and that the priorities are being set by constraints Bonneville imposed. The letter should also tell Bonneville the carry-forward and capitalization issues have to be resolved in a way that allows for funding the wildlife portion of our program, and that all Council obligations, ESA or not, need to be funded, he stated.

Danielson asked all of the members to weigh in on the letter that would go with the recommendations. This is a very important letter – it has to do with the integrity of our program and our fiduciary responsibilities, she stated. Danielson asked for any objections to the Council's recommendations for the 2003 fish and wildlife expenditures, and there were none.

11. Council Business

– Adoption of Minutes

Decision – Approval of January Minutes

Karier made a motion that the Council approve for the signature of the Vice-Chair the minutes for the January 14-16, 2003 meeting in Vancouver, Washington as presented by the staff. Cassidy seconded the motion, which passed unanimously.

- **Approval of IEAB Task Order**

Decision – Approval of Task Order

Karier made a motion that the Council approve a Task Order, Number 75, for the Independent Economic Analysis Board, in an amount not to exceed $11,200, Investigation of Phase 2 Hatchery Economics Needs and Scope. Cassidy seconded the motion. Staffer Terry Morlan said the IEAB put out a report on the hatchery review, and this task order will allow the board to continue to follow the review as it progresses. The Council voted unanimously to approve the motion.

- **Briefing on Public affairs Activities**
  Mark Walker, Director, Public Affairs Division

Walker offered Council members an updated briefing book, which he described as a reference on a range of topics, from background on the Council and the Northwest Power Act to the status of important issues. Walker also asked members to look over the final draft of the Council's 2002 annual report to Congress before it goes into the mail. Danielson suggested staff include an addendum with updates on what has occurred since the end of the 2002 fiscal year.

Danielson noted that the Wildlife Crediting Committee has not yet met and needs to do so. The members are Cassidy, Bartlett and I, she added.

Executive Director Steve Crow said Chelan PUD asked the Council to cosponsor a forum in June 2003 that will address fish passage technology. There would be no cost to the Council, other than in-kind contributions, he said. Karier pointed out that Chelan has been experimenting with fish passage design and wants to encourage regional dialogue and information sharing. Council members nodded their agreement to co-sponsor the event.

The meeting adjourned at 11:45 a.m. on Thursday morning.

Approved March 12, 2003

/s/ Tom Karier

Vice Chairman

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