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Montana

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March 19, 2007

RECEIVED

Mr. Greg Delwiche
Vice President, Environment, Fish and Wildlife
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208

MAR 20 2007
0046115
CBFWA

RE: Information regarding Bonneville's FY2007-09 project funding decision

Dear Mr. Delwiche:

The Council staff is carefully considering the many aspects of Bonneville's decision in response to the Council project funding recommendations for FY2007-09. As you know from the Council's discussion at its March meeting in Boise, we need additional information from Bonneville to help us fully understand Bonneville's decision. The staff is concerned that it lacks information to determine how Bonneville's policy initiatives were applied to project funding.

First, the staff requests that Bonneville forward a capital budget table as part of the decision package. When the capital table is available, the staff will work with Bonneville to develop a capital plan that defines the level of certainty associated with capital projects during the rate period.

Second, the staff understands that Bonneville has already adjusted its expense project decisions in response to reactions from individual states. As the Council requested at the March meeting, please provide an up-to-date set of expense tables and planning budget totals, with an explanation for what is different from the February decision.

Third, the staff summarized the changes that Bonneville made to the Council's project recommendations, in terms of the number of projects with different budgets and the number of projects added or removed. At its March meeting, the Council requested a clearer understanding as to why Bonneville made each project-specific change. As the Council requested, please provide a clear explanation for each change from the Council's recommendations. Specifically, please explain whether a change in a project or a budget is (1) related to one or more of the initiatives expressed in Bonneville's decision letter (and identify which one); or (2) represents a change in the work elements of a project for a reason unrelated to one of the broader policy initiatives; or (3) is a change in the budget for a project without a change in the work

recommended. The staff has performed a preliminary sort of the changes into these categories, but needs additional explicit explanations for the budget changes.

Fourth, attached to this letter is a list of projects that Bonneville added that did not receive ISRP review, that were rated Not Fundable by the ISRP, or that the ISRP put into the Response Requested category after the preliminary review and the Council did not seek a response and final review. The staff intends to recommend that the Council ask the ISRP to review projects added by Bonneville that did not complete ISRP review, and to ask that funding by Bonneville to be conditioned upon completing ISRP review and Council recommendation in the same way the Council treated similarly situated projects in its recommendations. The list also includes projects added by Bonneville that received a "Fundable in Part" or a "Fundable Qualified" rating from the ISRP. Staff will recommend that the Council communicate to Bonneville that implementation of these projects should be limited and conditioned in the same way the Council treated similarly rated projects. Finally, the staff will recommend that the Council communicate to Bonneville that the Step process for reviewing major construction processes be continued. The Bonneville decision does not specifically speak to this. We request that Bonneville confirm its intentions to continue to support the ISRP and Step review processes for projects that the Council staff has identified as needing these reviews. Projects added to the FY07 budget that represent true transition to close-outs will not need review.

Fifth, the staff would like clarification that Bonneville will continue to use the budget management tool of "rescheduling" and "prescheduling" to allow for some implementation flexibility between fiscal years. We would also like clarification that, as in the last rate case, funding not spent in the current rate case will be carried forward into the next rate case for implementation of the Fish and Wildlife Program. As the Council discussed, the staff requests Bonneville to confirm its intentions on these issues.

Sixth, the Council recommended *interim* funding for projects in certain areas of the program, including monitoring and evaluation, data management, coordination, and operation and maintenance funding, while we review and improve the plans and priorities for the purpose of making better recommendations in these project areas. From communication with Bonneville, the staff understands that there is sufficient budget flexibility to manage these needs during the next three years. However, we would like this understanding to be confirmed as well.

Seventh, we request that Bonneville work with the staff to design and schedule a reasonable way to confirm project work and budgets for FY 2008 and eventually for FY 2009. Bonneville set a target date of June 1 for revising FY 2008 project budgets. That may be possible, and Council staff will work to hit that target. However, the amount of work involved and the remaining uncertainties increase the difficulty in hitting that target. This includes the uncertainty associated with Bonneville using a higher planning budget total than the Council, which leaves approximately \$17 million to \$20 million available for additional needs during the rate period. Staff will advise the Council that for some of these project areas, such as data management, this may mean that the Council is unable to make final project funding recommendations for FY08 and FY09 until after June 1. Great uncertainty also exists because so much is left undefined well into the FY07 fiscal year. For that reason, the Council staff and Bonneville need to work together on a schedule and related actions that meet our respective time constraints.

In preparation for Council review at the April meeting, we request that the information outlined in the first three points above be provided within a week of receipt of this letter, if possible. If this is not possible, please work with Patty O'Toole to develop an acceptable schedule for transmitting the information. The staff looks forward to participating cooperatively in a timely effort to shape an analysis that assures transparency between Council staff and Bonneville staff and the public. Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Paquet', written in a cursive style.

Peter Paquet

Acting Director, Fish and Wildlife Division

cc: William Maslen, BPA
Kyna Powers, BPA
Brian Lipscomb, CBFWA

Bonneville's FY2007-09 decision
projects added that did not complete ISRP review or that received qualified approval
March 2007

Never reviewed -- staff will recommend to the Council ISRP review

2007-xxx	NPT conservation enforcement	\$285k in 07; 07 ops agreement
2007-xxx	CTUIR conservation enforcement	\$100k in 07; 07 ops agreement
2007-xxx	CRITFE conservation enforcement	\$225k in 07; 07 ops agreement

Not Fundable (and Not Fundable Qualified)

Council conditioned most projects that it forwarded with this rating on favorable ISRP review of a revised project proposal; staff will recommend the same with these

1988-053-15	Hood River adult trapping	\$500k in 07; close? or end of a phase dependent on step review?
1995-028-00	Piscivorous avian resource Moses Lake	\$111k in 07; close*
1998-010-04	Fall chinook acclimation pond m&e (NFQ)	\$307k [the companion acclimation pond project received a NF because of deficiencies in the m&e project; Council wrote findings to that]
1999-015-00	Big Canyon	\$130k in 07
1999-019-00	Restore salmon river Challis	\$384k
2000-038-00	NEOH Walla Walla master planning	\$30k in 07, 07 ops agreement
2003-065-00	Klickitat cooperative evaluation bull trout (NFQ)	\$200k in 07; close*
2006-003-00	Desert Wildlife Area O&M	\$166k to \$143k
2007-283-00	Wenatchee subbasin access	\$300k to \$1m

*projects that definitely will be closed out do not need further review

Response Requested

staff will recommend ISRP review of a revised proposal responsive to ISRP concerns

1993-035-01	Red River restoration o&m	\$79k in 07; close*
2002-015-00	Watershed coordination in Sherman County	\$68k
2002-026-00	Morrow and Umatilla riparian buffers	\$33k in 07; close*
2002-034-00	Wheeler riparian buffer	\$71k to \$75k
2002-035-00	Gilliam riparian buffer	\$64k to \$73k
2007-065-00	Habitat restoration in Little Salmon and lower Salmon	\$65k in 07; one-time culvert replacement contribution

*projects that definitely will be closed out do not need further review

(cont'd)

Fund in Part (and Fund in Part Qualified)

staff will recommend that implementation be conditioned similar to the way Council treated similarly rated projects

1994-026-00	Umatilla lamprey (FiPQ)	\$296k in 07; 07 ops agreement
2001-028-00	Banks Lake fishery evaluation	\$134k in 07;close
2002-054-00	Protect and restore Asotin Creek (FiPQ)	\$182k in 07; 07 ops agreement
2005-001-00	Pilot study for rm&e in tidal freshwater	\$450k
2007-024-00	Coeur d'Alene trout ponds	\$60k; [ponds may be a dnf in the fund in part rating -- need to check]
2007-042-00	Wenatchee passage	\$48k to \$400k
2007-212-00	Okanogan steelhead	\$100k in 07; 07 ops agreement

Fundable Qualified

staff will recommend that implementation be conditioned similar to the way Council treated similarly rated projects

1994-054-00	ODFW bull trout status	\$313k in 07; close
1996-040-00	Mid-Columbia coho closed	\$1m in 07; 07 ops agreement; step review if not closed
1996-042-00	Salmon Creek habitat not closed	\$300k to \$1.2m; 07 ops agreement; step review if not closed
2003-010-00	Habitat and food-web linkages	\$600k
2007-083-00	Grande Ronde cooperative m&e	\$147k
2007-145-00	Okanogan livestock and water	\$51k to \$27k
2007-172-00	MVID west canal diversion	\$249k to \$11k
2007-252-00	Assessment of hyporheic flow, etc.	\$77k in 07; 07 ops agreement
2007-287-00	Battelle fish passage analysis	\$225k in 07 [Bonneville lists as a NF]

[Fundable -- seventeen projects added that ISRP rated Fundable]