

**Rhonda Whiting**  
Chair  
Montana

**Bruce A. Measure**  
Montana

**James A. Yost**  
Idaho

**W. Bill Booth**  
Idaho



**Bill Bradbury**  
Vice-Chair  
Oregon

**Henry Lorenzen**  
Oregon

**Tom Karier**  
Washington

**Phil Rockefeller**  
Washington

August 30, 2012

## MEMORANDUM

**TO:** Council Members

**FROM:** Tony Grover, Fish and Wildlife Division Director

**SUBJECT: Update on Bonneville Power Administration's fish and wildlife budget and project management practices**

Lorri Bodi and Bill Maslen, Bonneville Power Administration, will discuss the recent budget and project management practices letters sent to major Program partners in the region.

# Fish and Wildlife Program Expense Budget Update

Lorri Bodi and Bill Maslen  
September 11, 2012



# Financial Components of BPA's F&W Investment

## **The focus of this F&W Program presentation:**

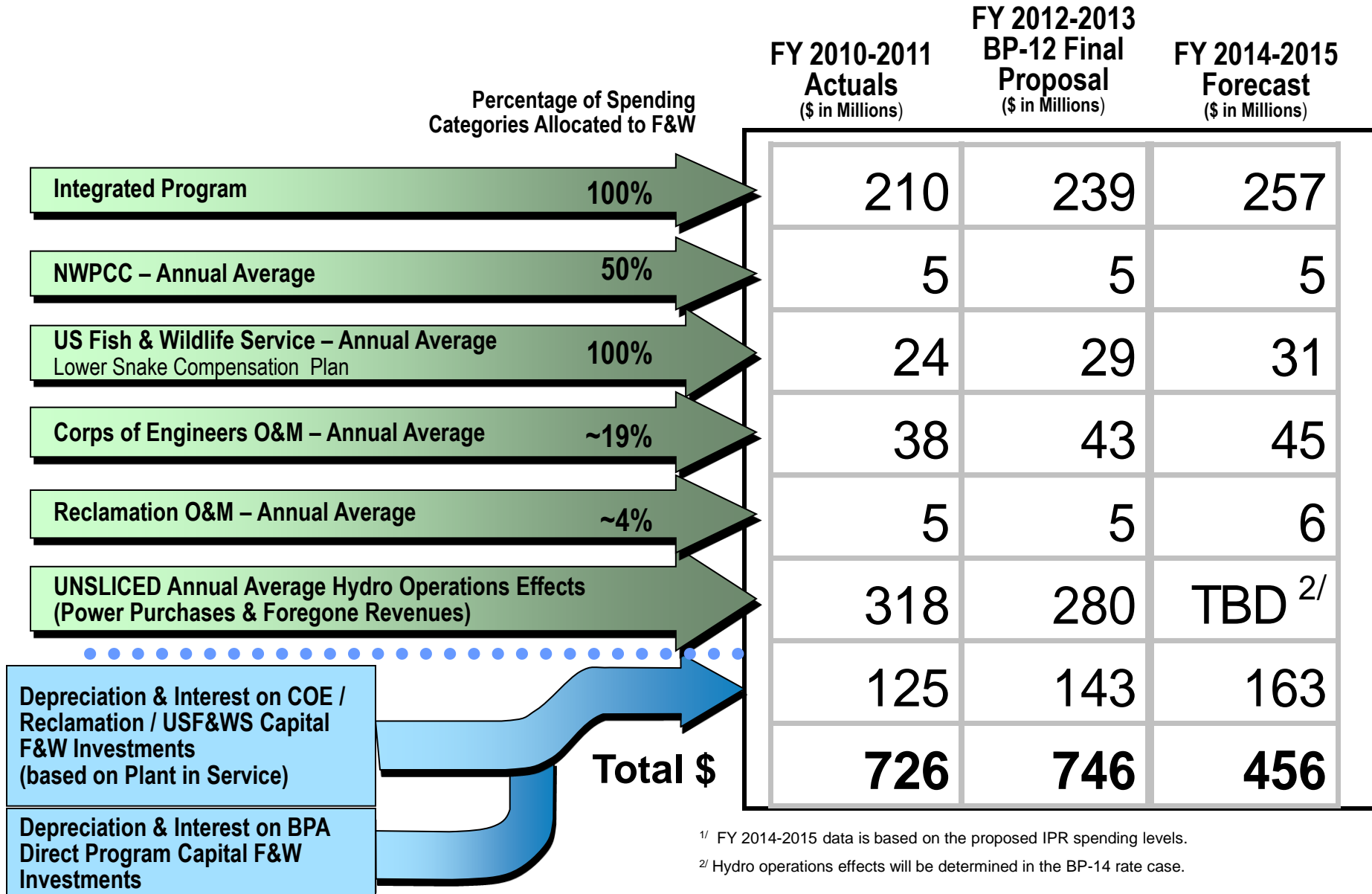
- The Fish and Wildlife Program funds several hundred projects to meet Power Act and ESA offsite mitigation obligations and commitments for FCRPS hydro impacts.
- The Program includes funding for commitments under various BiOps, as well as Fish Accords and other long term agreements.
- Per Council Program guidance, Program budgets are approximately 70% to anadromous fish, 15% to resident fish, and 15% to wildlife (expense and capital combined).

# F&W Financial Components Continued

## Fish costs that will not be covered today:

- **Capital budgets** for the F&W Program, currently total ~\$60m for FY12.
- **Debt service** – The projected amortization, depreciation and interest for investments reimbursed by BPA for the Corps and Reclamation borrowing, e.g. for fish ladders, spillway weirs, etc.
- **Fish-related O&M** - This includes O&M for fish facilities at the mainstem dams, Corps mitigation hatcheries, and the LSRCP hatcheries managed by USFWS (11 hatcheries and 15 satellite facilities, currently ~\$29m/year).
- **River Operations** – Costs associated with project and hydrosystem operations (e.g., flow, spill, turbine operations) to improve fish passage through the hydrosystem.

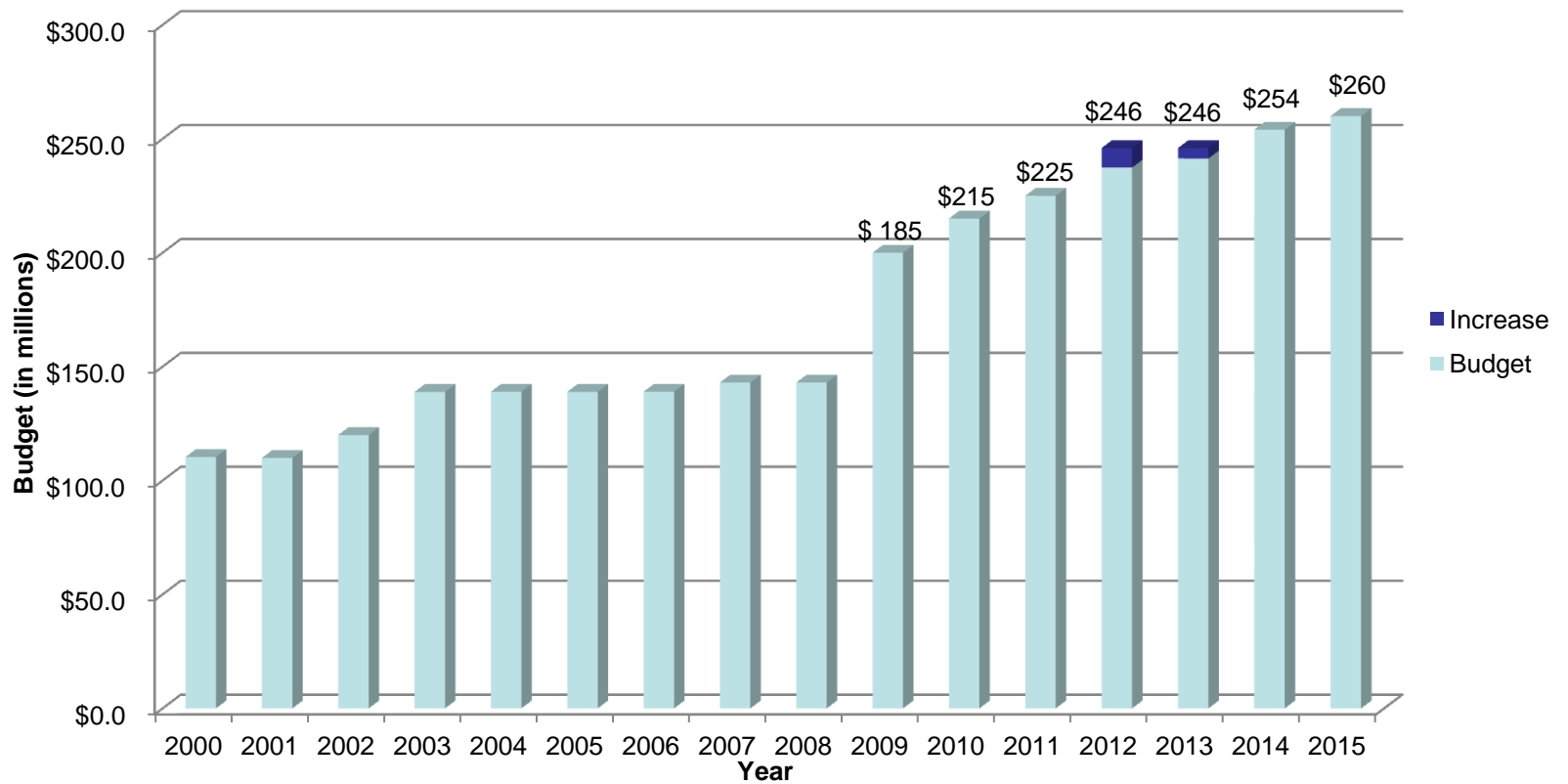
# Total Annual Average Cost of BPA Fish & Wildlife Actions <sup>1/</sup>



<sup>1/</sup> FY 2014-2015 data is based on the proposed IPR spending levels.

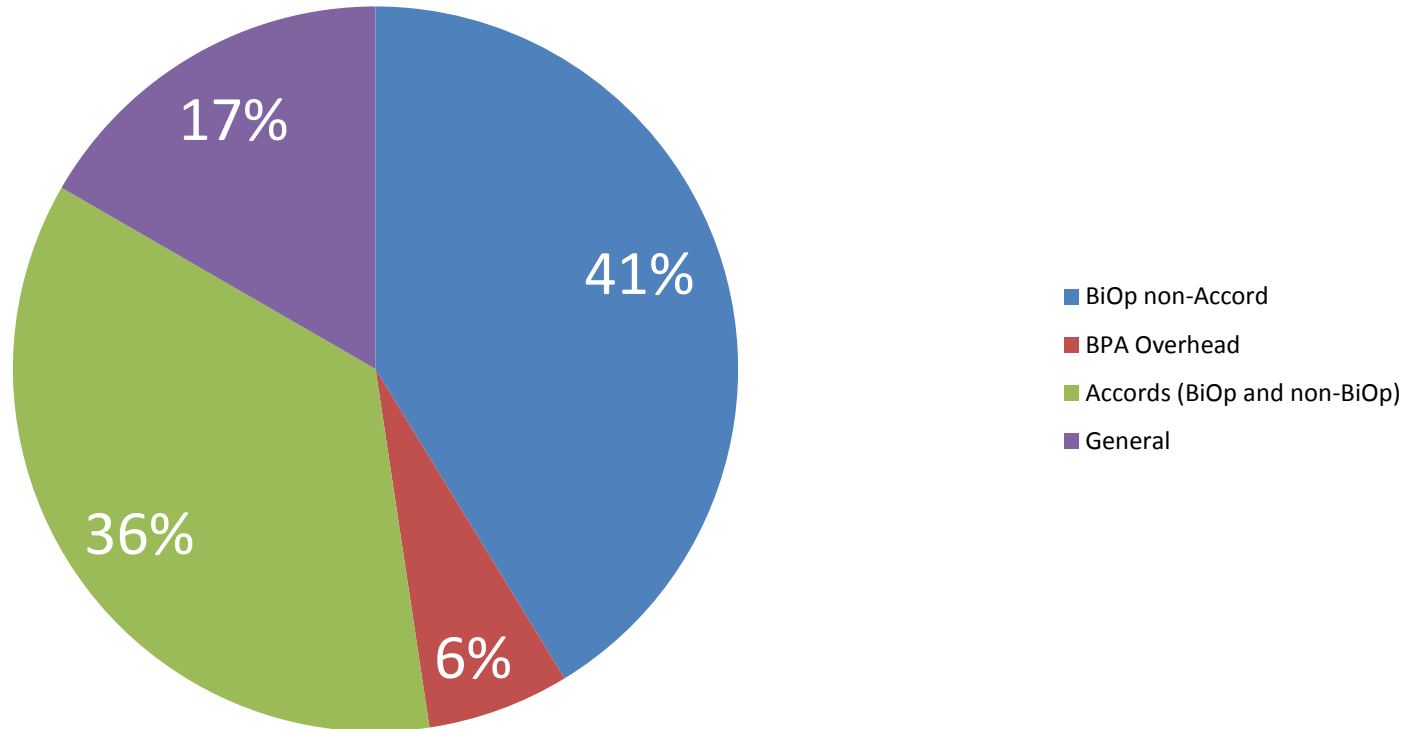
<sup>2/</sup> Hydro operations effects will be determined in the BP-14 rate case.

# BPA F&W Expense Budget 2000-2015



# F&W Program Expense Budget Distribution

**FY12 Fund Distributions**

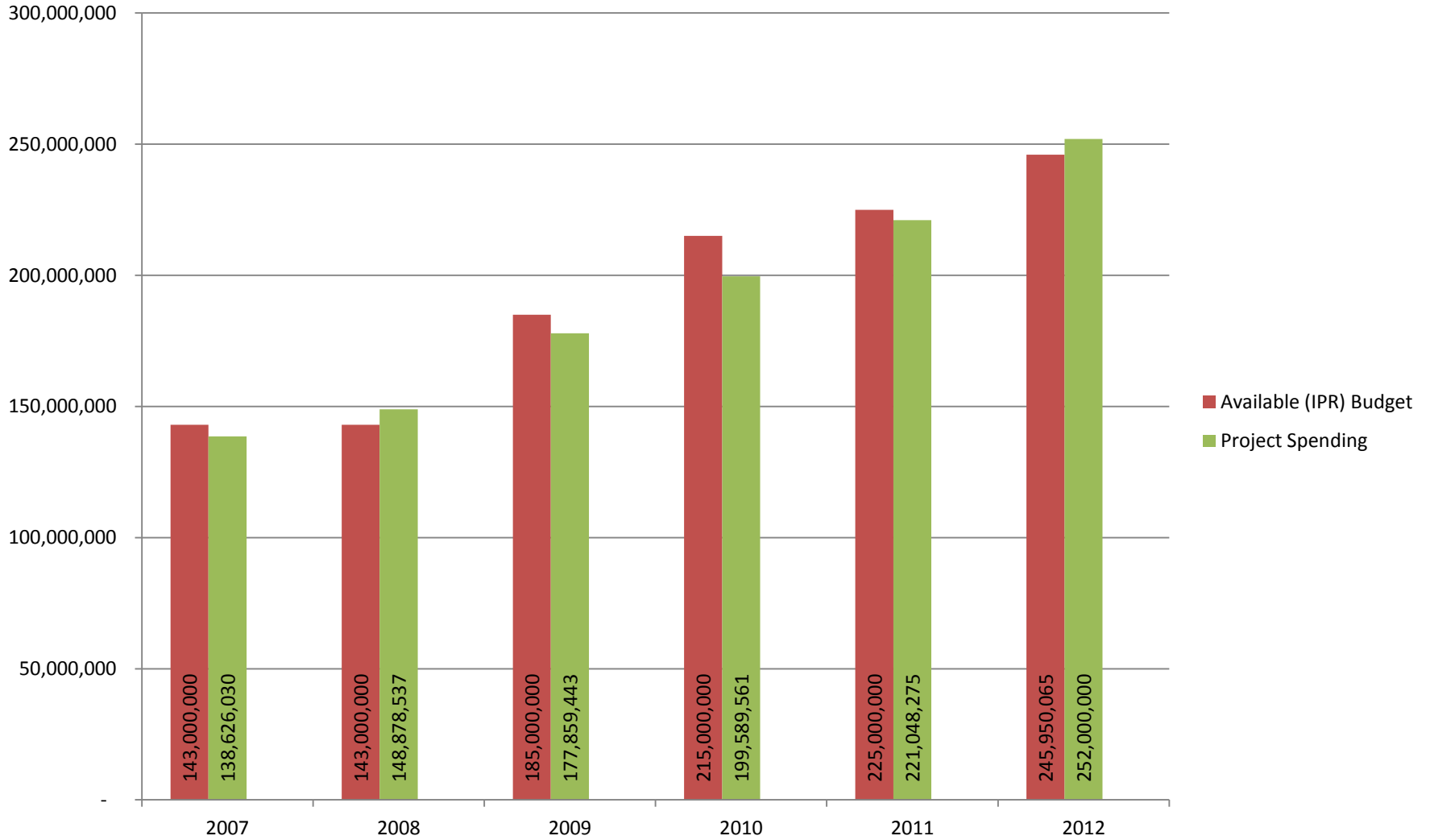


# F&W Budget Management Challenges

- Annual expense spending has generally been under budget. In 2011, the budget was \$225m and spending was \$221m.
- Given the differential between planning, contracting, and actual spending, BPA contracts 10-15% more than the budget to maximize use of available funds. Also, spending historically has been 7-10% less than contracted. These assumptions no longer appear valid in terms of managing the budget.
- F&W Program contracts typically span fiscal years (two or more), which makes it difficult to predict fiscal year spending, as well as proactively manage spending.



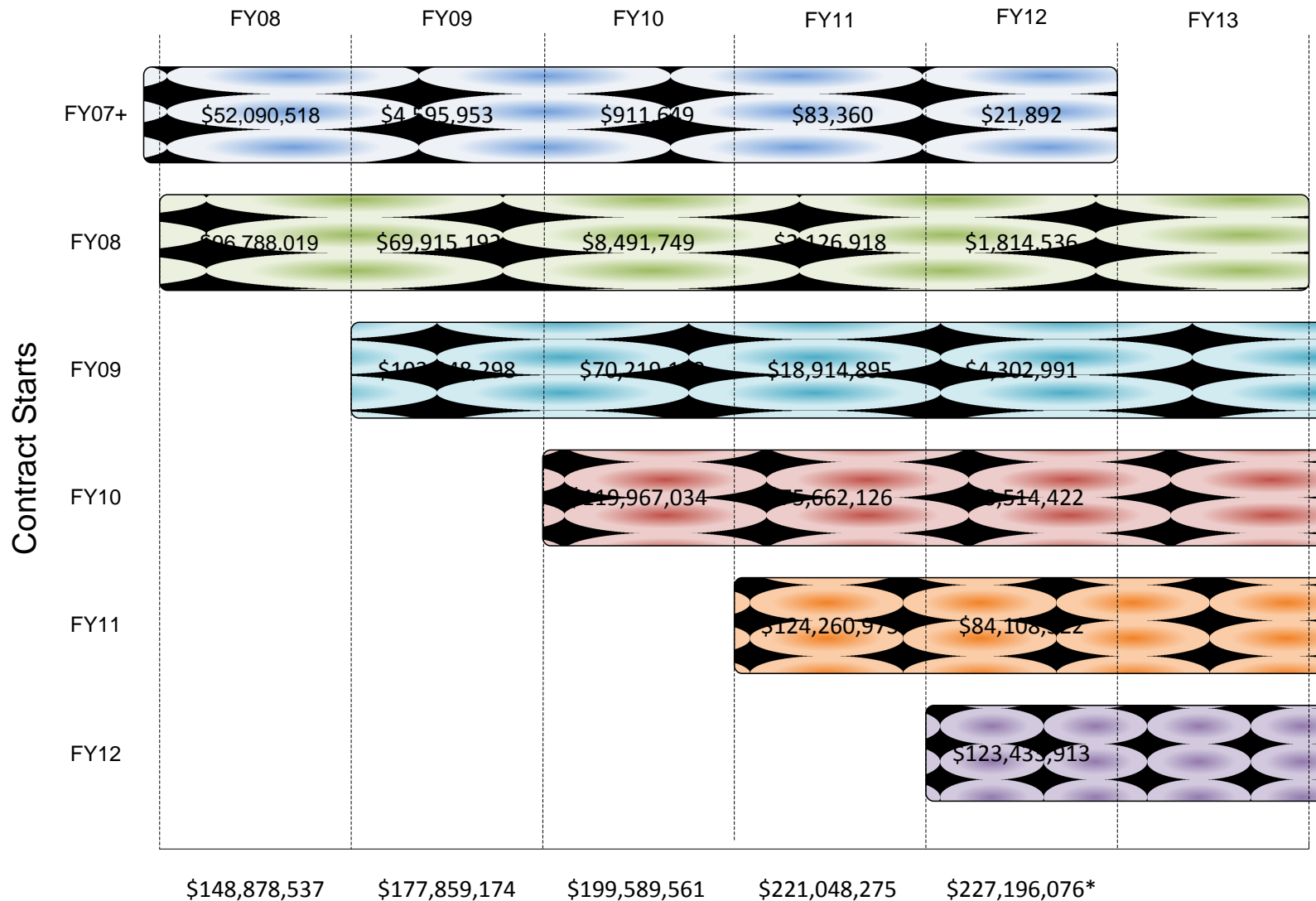
## Budget vs Actual Expenditures



# Budget Management Challenges Continued

- Contract extensions with unspent contract balances increase uncertainty about potential spending.
- BPA has traditionally allowed spending to shift from one fiscal year to another due to circumstances, such as capacity and weather (across both non-Accord and Accord projects).
- Invoicing against available budget is how F&W spending is “booked”. The unpredictable timing of invoices (months and sometimes years after spending) creates a problem when managing the budget across fiscal years. Late invoices are common.

### Contract Timing vs. Spending

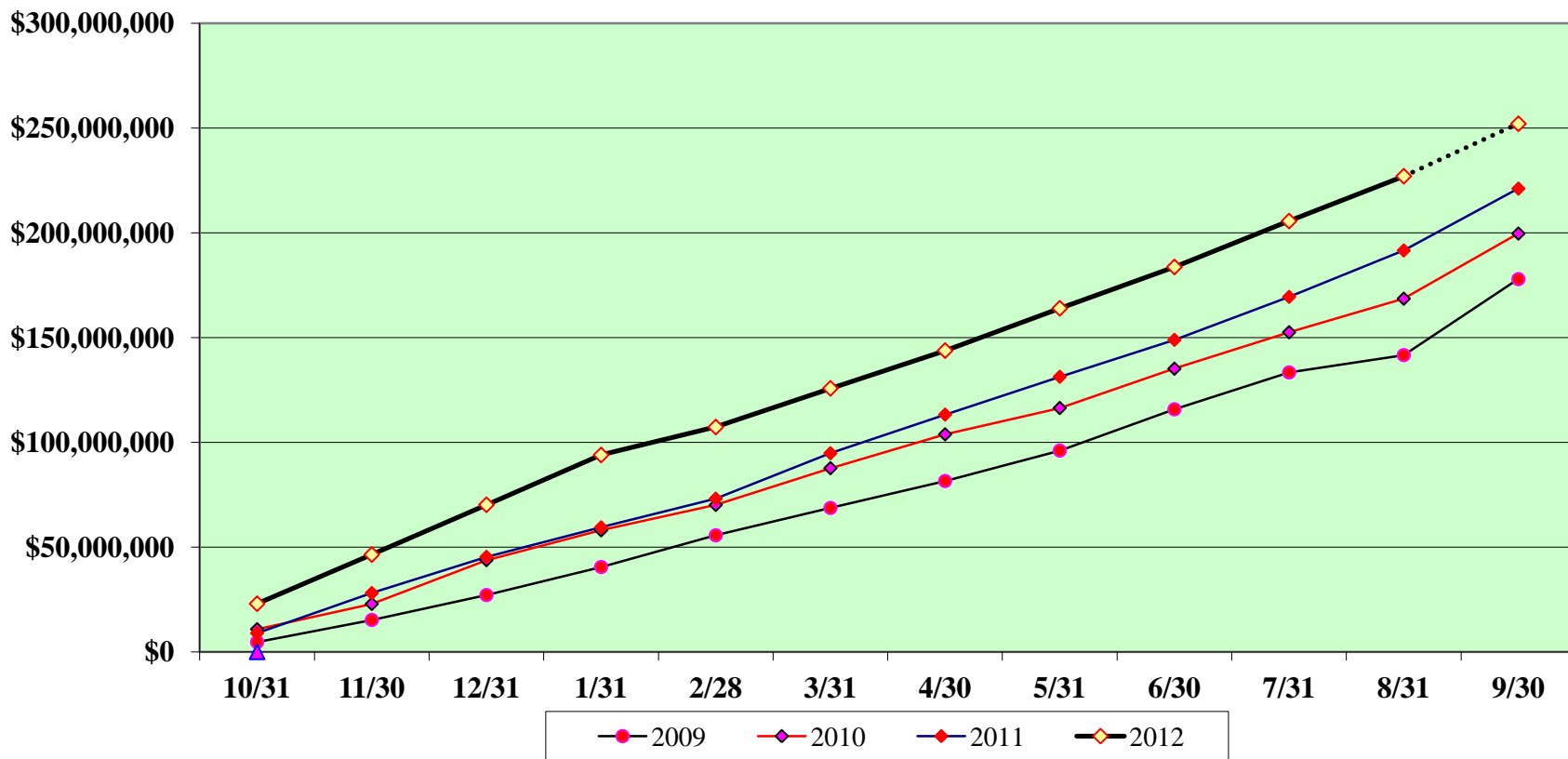


\* As of Aug. 31, 2012

# Budget Management Challenges Continued

- **Historical spending patterns have shifted significantly in a single year.**
  - Potential gap for FY12-13 could range from \$15m to \$30m.
- **All components of the F&W Program are contributing to upward trend on expense spending, including Accord/BiOp, non-BiOp Accord, and General (includes wildlife settlements).**
  - General contracts increased \$18m from FY11 to FY12.
  - Accord contracts increased \$8m from FY11 to FY12.
  - Non-Accord BiOp contracts increased \$10m from FY11 to FY12.

# Monthly Cost Comparison (Expense)



# Current Situation

- **BPA has increased the available budget for the current rate period (FY12/13) by \$13m, to \$246m each year.**
- **BPA is working across the Program to collaboratively adjust spending for remainder of current rate period FY 12-13.**
  - Accord partners are helping shape spending into future years to reduce spending in FY 12-13.
  - Large sponsors have been asked to reduce spending by 10-15% through mutual agreement.
  - Smaller sponsors are also reducing contracts.
  - BPA reduced overhead, currently ~5% of the Program (for expense and capital, combined).

# Examples of BPA-Proposed FY13 Budget Reductions/Deferrals

- **BPA is focusing on lower priority projects, projects that can withstand a one year deferral, and projects with weak linkage to the FCRPS for deferral and/or reduced spending.**
  - Reductions to reflect lower actual spending of contracted amount.
  - Reductions for equipment purchases that have been completed.
  - Deferral of certain land acquisitions to FY14.
  - Deferral of specific actions identified as unlikely to occur in FY13.
  - Reductions of non-FCRPS actions, such as harvest plan development and/or in lieu issues.
  - One year suspension of certain O&M and RME actions that are non-critical.

# Potential Longer Term Budget Management Tools

- More rigorous budget, contract, and project management approaches will be necessary going forward, including a top down element in the SOY budget to complement the current bottom-up approach.
- Increased management relative to contract terms, extensions, duration of contracts, spending, and invoicing.
- Timing of land acquisitions (especially large expenditures), may continue to be a management tool.
- Potential contingency reserves rather than full allocation of budgets.
- Quarterly budget-to-actual reviews at the project manager, policy, and regionally (with Council and other stakeholders).



# Potential Management Tools Continued

- **Improved management should emerge through our ongoing programmatic review and streamlining, as the result of the Council's and ISRP's guidance coming out of the Categorical Reviews.**
  - Better reporting and accountability for results.
  - Tighter linkage of projects to FCRPS.
  - Greater emphasis on results for FCRPS management decisions.
  - Capturing programmatic efficiencies through benchmarking and standardization.
  - Reducing duplication among projects and work funded by others.