



COLUMBIA BASIN FISH AND WILDLIFE AUTHORITY

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October 31, 2007

TO: Members

FROM: CBFWA staff

SUBJECT: FY 2007-2009 BPA Budget Situation, List of Critical and Essential Unfunded Projects, and BPA WP-07 Supplemental Rate Case

Coordinating and promoting effective protection and restoration of fish, wildlife, and their habitat in the Columbia River Basin.

The Authority is comprised of the following tribes and government agencies:

Burns Paiute Tribe

Coeur d'Alene Tribe

Confederated Salish and Kootenai Tribes of the Flathead Reservation

Confederated Tribes of the Colville Reservation

Confederated Tribes of the Umatilla Indian Reservation

Confederated Tribes of the Warm Springs Reservation

Confederated Tribes and Bands of the Yakama Nation

Idaho Department of Fish and Game

Kootenai Tribe of Idaho

Montana Department of Fish, Wildlife and Parks

National Marine Fisheries Service

Nez Perce Tribe

Oregon Department of Fish and Wildlife

Shoshone-Bannock Tribes of Fort Hall

Shoshone-Paiute Tribes of Duck Valley

U.S. Fish & Wildlife Service

Washington Department of Fish and Wildlife

Coordinating Agencies

Columbia River Inter-Tribal Fish Commission

Upper Columbia United Tribes

Compact of the Upper Snake River Tribes

Proposed Action:

The MAG has requested that the Members direct staff how to proceed with the analysis of critical and essential unfunded tasks and projects for FY08-09. This information was developed to guide funding recommendations for data management projects but may feed other important ongoing processes.

The Members may choose to engage in the Bonneville Power Administration (BPA) WP-07 supplemental rate case by meeting with BPA prior to the formal opening of the rate case on December 3, 2007 and presenting the unmet funding requirements for FY08-09. The attached analysis of critical and essential projects could be presented to BPA, in addition to previous communications from CBFWA, in developing appropriate funding levels for FY08-09 for the Fish and Wildlife Program. A few questions need to be addressed in collaboration with BPA to determine if additional funds are needed for FY08-09.

- What planning budget for FY08-09 is BPA comfortable obligating in relation to actual spending (i.e., 10%, \$12 million, etc.)?
- What is the total list of critical and essential projects that need to be funded in FY08-09? Is the CBFWA list complete or do BPA or others have additional or different needs?
- Is funding in the current rate case adequate to support the list of critical and essential projects, or does BPA need to increase the funding level during the supplemental rate case? By how much?

The Members will be asked to discuss the next steps in identifying and transmitting the list of critical and essential projects for FY08-09 and for developing data management project funding recommendations.

Current Budget Situation for FY 2007-2009

1) Expense funds available for **SPENDING**

- The 2007-2009 BPA Rate Case identified \$143 million annually for the Expense category and \$36 million for the Capital category
- BPA identified \$3 million in FY07 in addition to the \$143 million to support FY07 Interim Operation Agreements with the tribes
- BPA has extended the Interim Operation Agreement projects for an additional 6 months into FY08 which may include additional funding
- BPA identified approximately \$9 million in carry-over from the previous rate period to be available during this rate period
- This brings the total available for **SPENDING** to \$149 million in FY07 and \$146 million in FY08 and FY09 (allocating the carry-over evenly across the three years of the rate case).

2) Original **PLANNING** budgets assumed by BPA and NPCC

- BPA historically “spends” 10% less than what is “planned” due to the complexity and quantity of contracts employed to implement the Program
- NPCC assumed an annual **PLANNING** budget of \$153 million in their recommendations
- BPA assumed an annual **PLANNING** budget of \$12 million more than the available **SPENDING** budget in their decision document (for example BPA planned \$161 million in FY 2007).

3) Actual spending in FY07

- BPA has closed their books for FY07 and reports total **SPENDING** of \$140 million in the Expense category
- This leaves approximately \$9 million that should be reallocated to FY08-09 based on BPA’s current **PLANNING** budgets for FY08-09

4) Current budget situation for FY08-09

- Total **SPENDING** budgets for the next two years should total \$150.5 million annually (\$146M + \$4.5M)
- Total **PLANNING** budgets for the next two years should total \$165 million (add 10%)
- BPA’s current planning budgets total \$157 million if FY08 and \$146 million in FY09
- This leaves \$8 million unallocated in FY08 and \$19 million unallocated in FY09

List of Critical and Essential Unfunded Projects

To fully expend the available funds during this rate period, the MAG requested that CBFWA staff solicit Members for critical and essential projects that were submitted during the FY07-09 funding cycle that remain unfunded. A total of 107 critical and essential projects were identified as having insufficient funding for a total of approximately \$25 million in FY08 and \$31 million in FY09 (Table 1). These projects fall into several categories, some projects fall into multiple categories but were assigned a single category for the purpose of this analysis. Most of these projects's funding was reduced due to funding limitations, not due to technical deficiencies.

A) Interim Operations Agreements. In FY 2007, BPA entered into agreements with several tribes to fund specific projects. BPA added \$3 million in funding to the budget in FY2007 to support those negotiations. Insufficient funding for these 23 critical and essential projects totals \$7.2 million in FY08 and \$8.9 million in FY09.

B) Pre-mature in-lieu funding decisions. BPA has not completed the development of their formal in-lieu policy, yet, approximately 33 critical and essential projects do not have adequate funding identified in the start of year budget. These projects require an additional \$3.7 million in FY08 and \$5.9 million in FY09 to meet their critical and essential needs.

Table 1. Additional Funding Required to Support Critical and Essential Projects Identified by CBFWA Members (October 2007).

	CBFWA Member Critical and Essential Funding Level FY08 (additional)	CBFWA Member Critical and Essential Funding Level FY09 (additional)	# Projects
Interim Operation Agreements	\$ 7,201,330	\$ 8,906,251	23
Pre-Mature In-Lieu Funding Decisions	\$ 3,736,267	\$ 5,881,759	33
Coordination Projects	\$ 445,570	\$ 445,570	4
Data Management Projects	\$ 1,131,025	\$ 1,131,025	2
Other Reductions	\$ 3,399,938	\$ 4,317,034	18
Monitoring and Evaluation	\$ 9,512,832	\$ 10,160,144	22
Wildlife	\$ 144,546	\$ 163,569	5
Total Additional Funding	\$ 25,571,509	\$ 31,005,353	107

C) Coordination projects. CBFWA staff entered preliminary budgets for CBFWA, UCUT, USRT and CRITFC into the table as placeholders for critical functions. The total of these budgets fits within the \$2.35 million placeholder that the Council identified for FY08-09, but is \$445,570 more than the placeholder that BPA has identified in their start of year budget. This includes an additional \$160,659 for the USRT project which BPA agreed to fund separate from their placeholder. Also, no participation funding was identified for the Kalispel and Spokane tribes.

D) Data management projects. The Data Management Framework Subcommittee identified priority projects for FY08-09. The MAG approved the priority list of the needs but withheld support for the specific projects until a comprehensive review of the funding needs was performed. The additional funding to support the two ongoing data management projects (StreamNet and NHI) totals approximately \$620,025. Additional funding is needed for pilot projects to address gaps in tribal data, orphan data, and supporting regional access to information and totals \$511,000.

E) Essential project identified by the CBFWA members at the beginning of FY2007. The members of CBFWA identified a list of essential projects during the Council's FY2007-2009 Project Selection Process. On August 30, 2007 CBFWA sent a letter to Council requesting that they work closely with CBFWA and BPA in identifying additional funds to support essential projects for FY2007-2009. All of those projects are included in this analysis. A total of 7 new start monitoring and evaluation projects did not received funding in FY07. Those projects total \$3.6 million in FY 2008 and \$3 million in FY 2009 but funding for these projects is not included in this current analysis.

F) Other critical and essential projects identified by the CBFWA members. The remaining critical and essential projects identified by the CBFWA members fall into three categories: 1) 18 projects reduced by BPA require an additional \$4.1 million in FY08 and \$5 million in FY09, 2) 22 monitoring and evaluation projects that require an additional \$9.5 million in FY08 and \$10.1 million in FY09, and 3) 5 wildlife projects that require \$144,546 in FY08 and \$163,569 in FY09.

FY 2009 BPA Supplemental Rate Case

Philip Key, BPA, addressed the MAG on October 23, 2007 to describe BPA's response to two legal opinions handed down by the Ninth Circuit Court of Appeals in May 2007 relative to the PGE and the Golden NW cases concerning the lawfulness of BPA's 2000 Residential Exchange Program and FY02-06 rate structure. BPA has decided to deal with the two cases together. The first step BPA has taken is to withdraw the FY07-09 rate proposal that was submitted to FERC for approval. All parties, including the Yakama Nation, agreed to put that FERC review on hold until BPA gets through this process. The second step BPA

has taken is to begin a “reopening process.” Philip provided a handout highlighting BPA’s actions and timeline regarding the reopening of the WP-07 Rate Case:

http://www.cbfwa.org/Committees/MAG/meetings/2007_1023/BPAHandout_ReopeningWP07RateCase.pdf.

This presents an opportunity for the fish and wildlife managers to provide BPA with a recommended budget and supporting evidence to amend the funding level during this rate period for FY 08-09. The Members have provided input into the current rate period on two occasions. On March 16, 2005 CBFWA sent a memo to Stephen Wright requesting BPA work with CBFWA in performing analysis to establish an appropriate funding level for FY07-09. In that letter CBFWA suggested that funding may need to increase substantially with preliminary analysis that indicated funding may increase to \$240 million per year, following a reasoned ramp up period. On August 30, 2006 CBFWA sent a letter to the Council requesting assistance in establishing funding levels to support adequate implementation of BPA’s portion of the Fish and Wildlife Program and Subbasin Plans. At that time, CBFWA suggested that an additional \$30 million may be required to fund essential projects and tasks identified by the fish and wildlife managers and local recovery groups. The current list of critical and essential projects is consistent with that letter and was transmitted to BPA prior to their FY07-09 funding decision.