



COLUMBIA BASIN FISH AND WILDLIFE AUTHORITY

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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 fish and wildlife 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 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

July 6, 2009

Mark Walker
Director of Public Affairs
Northwest Power and Conservation Council
851 SW Sixth Avenue, Suite 1100
Portland OR 97204-1348

Dear Mr. Walker:

Thank you for accepting comments on the Northwest Power and Conservation Council's (Council) report to the Northwest governors on Bonneville Power Administration (BPA) expenditures to implement the Council's Fish and Wildlife Program (Program) to protect and rebuild fish and wildlife in the Columbia River Basin. This report continues to improve over time and is a very useful tool for transmitting BPA mitigation expenses and some of the Council's high level indicators for fish and wildlife performance. The Members of Columbia Basin Fish & Wildlife Authority's (CBFWA) comments are both editorial as well as substantive and we hope that you give them consideration when drafting your final report.

Overall we would like to see the Council provide a more transparent and accountable reporting of BPA's expenditures for fish and wildlife mitigation. There is considerable confusion in the region around costs as they are associated with BPA rates, actual expenditures, foregone revenues, power purchases, etc. and the Council has an opportunity to provide clarification on this topic. It would also be helpful for the Council's report to be consistent with BPA's 2008 Annual Report. We hope our comments below will help the Council in resolving some of this confusion.

For clarity, our comments and recommendations follow the outline of your current report.

In the 2nd paragraph of the report, it should be mentioned that flow and passage measures are for salmon *and sturgeon*. The report currently emphasizes salmon and steelhead without discussing Pacific lamprey, white sturgeon and other species. We would like to see a more robust discussion of the many fish species impacted by the FCRPS in this report.

In the 4th paragraph of the report it appears that the data in the report are not supported by the figures and tables. Table 1, consistent with BPA's 2008 Annual Report (see http://www.bpa.gov/corporate/finance/a_report/08/AR2008.pdf), reports total 2008 fish and wildlife direct costs and operational impacts of \$875.8

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million (not \$940.1 million in current Council draft report). Of that amount, Table 1 reports BPA fish and wildlife capital amount of \$26.8 million and BPA Direct Fish and Wildlife Program expenses of \$148.9 million which would total \$175.7 million (not \$174 million in current Council draft report). This paragraph should also mention the \$100.5 million in credits from the Federal Treasury that BPA received to offset their fish and wildlife costs as provided in Table 1. As currently written, the Council's report over reports the cost of fish and wildlife mitigation to BPA by excluding the Federal government's contribution.

Language in the 4th paragraph is also confusing as it relates to what expenditures are "in" the Council's Fish and Wildlife Program. The Council's Fish and Wildlife Program contains measures that directly guide three of the categories in Table 1: 1) "BPA fish and wildlife" capital investments, 2) "BPA Direct Fish and Wildlife Program" expenses, and 3) "BPA power purch. for fish enhancements". Yet this paragraph would lead the reader to believe that only the first two categories are in the Council's Fish and Wildlife Program (the first two categories reflect the Integrated Program). This could be clarified with an explanation of the Integrated Program as provided in BPA's 2008 Annual Report, page 48, or the description provided in the 2008 Status of the Resources Report, page 6. Also related to this topic, see the first paragraph under "The Columbia River Basin Fish and Wildlife Program" section of your report. The third sentence of that paragraph implies that *all* of BPA's fish and wildlife costs are governed by the Fish and Wildlife Program.

We would like to note in Figure 1C that foregone revenue is not an actual expenditure by BPA and therefore, appropriately, not reported in this figure. Likewise, Figures 1A and 1B should be modified to make it clear that foregone revenue is not an expenditure of funds collected through rates but a lost opportunity that is calculated to determine the federal government's share of non-power related mitigation expenses for the FCRPS. Figure 1C should also make it clear what the federal contribution (NPA 4(h)10c credits) to BPA's fish and wildlife mitigation expenses totaled for FY2008. Foregone revenue is calculated as an opportunity cost and used to calculate the Federal government's contribution to fish and wildlife mitigation funded through BPA as directed by the Northwest Power Act. The context for calculating foregone revenue is inappropriately applied when it is reported as part of BPA costs in relation to rates charged to customers (or characterized as expenditures); otherwise, foregone revenue of all opportunity costs for irrigation, transportation, recreation, transmission, and other sub-optimal energy producing activities supported by the FCRPS should be included in the foregone revenue conversation to provide equitable treatment of fish and wildlife costs.

Language in the 5th paragraph should be clear about what portions of the Fish and Wildlife Program (only Integrated Program?) are included in the costs as they are presented and the numbers need to match the supporting tables and figures. BPA's 2008 Annual Report reports total spending for fish and wildlife at \$876 million. In attempting to show the impact of fish and wildlife costs on BPA rates, it is unclear what the fish and wildlife costs are being compared to when one sentence says "Bonneville's total 2008 operating expenses and obligations" and another sentence compares "Bonneville's annual net revenue requirement." To assess the impact of the fish and wildlife program on BPA rates, total fish and wildlife expenditures should be compared against the actual revenue collected as a result of BPA's rates. Foregone revenue should not be included in this comparison, as it is not an expenditure from the collection of rates (see discussion regarding Figure 1C above). The clarification currently provided in the final sentence of this paragraph discussing the impact on a typical residential customer's bill is useful to keep these costs in proper context and should be kept in the final report.

In the 1st paragraph of the "Summary of Expenses, 1978-2008" section, the 2008 expenditures *and foregone revenues* bring the grand total of Bonneville's fish and wildlife *costs*, from 1978, when expenditures began, through 2008, to \$11.9 billion. The language used in this report should be carefully chosen to accurately represent BPA expenditures versus foregone opportunities. Foregone revenue is an opportunity cost but not expenditure, as explained above.

The 1st paragraph of the "Expenditures by Category, Program Expenditures" section implies that categories 2 through 4 do not contribute "on-the-ground" benefits for fish and wildlife. The descriptions of all these categories could be improved in this paragraph, but it is incorrect to characterize only the first category as on-the-ground. The direct program could be alternatively described as the "Council directed" work or "project oriented" work.

The 2nd paragraph in this section appears to mix apples and oranges. The federal hydropower associated projects and reimbursable projects are not generally included in the direct-program expenditures. It appears by the data summaries following this sentence that you intended to summarize the Integrated Program costs for capital and expense, which totaled \$175.7 million (\$26.8 million in capital and \$148.9 million in expense). Changing the second sentence to describe the integrated program would clarify the rest of the paragraph.

The paragraph under "Power System Costs" gives the impression that fish and wildlife regulations are the only requirements limiting operation of the hydropower system (e.g., "compliance with these federal requirements limits the amount of revenue possible from an otherwise unrestricted operation of the hydropower system."). There are actually many environmental and operational agreements and

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other laws regulating the operation of the hydropower system; however, the Northwest Power Act directs the federal government to reimburse BPA for the non-power portion of the "monetary costs and electric power losses resulting from the implementation of the program." The Council should set the appropriate context for why BPA tracks fish operation costs and foregone revenue different from other operational constraints on the FCRPS. See discussion above.

The last sentence in the paragraph under "Foregone Revenues" is unnecessary. BPA sets their rates based on many assumptions about operational scenarios for the FCRPS that are limited by many factors, including fish operations. The context of calculating foregone revenue solely for fish operations in a discussion of rates does not treat fish and wildlife obligations equitably with other responsibilities of the FCRPS. All sub-optimal energy producing activities supported by the FCRPS should be included in a discussion of rate impacts (or foregone revenue): irrigation, transportation, recreation, transmission, etc. The appropriate context for discussing foregone revenues as they relate to fish and wildlife is to determine the federal government's contribution for funding the Fish and Wildlife Program as directed by the Northwest Power Act.

The Council should provide greater transparency in how foregone revenue for fish operations is calculated. It appears that currently a pre-1980 operating scenario is the basis for a hydrosystem "unrestricted" by federal fish requirements. Significant changes in physical structures and regulations beyond fish restrictions have been implemented across the full extent of the FCRPS, and these modifications should be incorporated in the non-fish operations scenario. The region would benefit from a better description of how foregone revenues for fish operations are calculated, and a transparent process for calculating them.

The separate sections for Foregone Revenues and Power Purchases could be combined under the heading of Power System Costs.

For the "Fish Runs and Fisheries" section, we request that the Council members review the latest draft of the Status of the Resource Report (SOTR) report and determine if there are other charts or graphs that they would like to include in their report to the governors (see

http://www.cbfwa.org/Committees/Members/meetings/2009_0701/SOTR_Introduction_Basinwide2008_FinalDraft.pdf).

Some suggested additions include:

- Location of Anadromous Fish Habitat Projects (SOTR Page 13)
- BPA Funded Land Acquisitions (Page 21)
- BPA Funded Resident Fish Habitat Projects (Page 20)
- Status and Trends of Salmon and Steelhead in the Columbia River Basin (Page 10)

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- Estimates of Adult Salmon and Steelhead Counts at the Columbia River Mouth (Page 11)
- Counts of Adult Salmon and Steelhead at Bonneville Dam (Page 11)
- Trends of Adult Pacific Lamprey at Columbia River Hydroelectric Facilities (Page 16)
- Counts of Adult Pacific Lamprey at Bonneville, McNary, and Lower Granite Dams (Page 16)
- Status of White Sturgeon in the Columbia River (Page 18)
- Bull Trout Core Area Trends and Risks (Page 19)

The CBFWA staff is working to align the SOTR with the Council's report to the governors, and the final draft of your report will help guide development of the next iteration of the SOTR.

Thank you for consideration of our comments on this report. We hope you find them helpful in clarifying BPA's fish and wildlife mitigation costs as directed by the Northwest Power Act and BPA's actual expenditures on fish and wildlife mitigation as a result of revenue collected from rates charged to their customers including contributions from the federal government. If you have questions or need clarification on our comments, please contact Brian Lipscomb at (503) 229-0191.

The Federal agency members of the Columbia Basin Fish and Wildlife Authority (U.S. Fish and Wildlife Service and the National Marine Fisheries Service), abstain from this letter.

Sincerely,



Elmer Ward, Chairman
Columbia Basin Fish and Wildlife Authority

cc: NPCC Members & Staff
CBFWA Members