

RD-0232

Sent: Saturday, October 05, 2002 2:36 PM

To: comment@bpa.gov

Subject: FW: Fish, Wildlife & Energy. The Nature of things to come.

Dear Administrator Wright,

I wish to provide the following comments regarding BPA's operation of the Federal Hydropower System and on Bonneville's current and future obligations to fish and wildlife.

My comments will focus on five main points:

1. BPA can meet its obligations under the Northwest Power Act, ESA and federal Tribal Trust responsibilities while maintaining a reliable energy supply; however, institutional changes such as modified capitalization methods, eliminating use of F&W categories for power side borrowing authority, and broader review of rate case assumptions etc., may be required.
2. BPA is putting the regions natural resources base at further risk (rather than demonstrating progress) by repeatedly not meeting fish and wildlife spending targets and by failing to establish more reliable and estimable funding agreements with F&W managers.
3. BPA's accounting practices do not provide accurate information regarding classification of actual costs or spending for F&W
4. BPA is improperly weighting lower river ESA expenditures and "research" over active programs focusing on Upper River's *Endangered* stocks and other unmet mitigation responsibilities in the Basin.
5. BPA has introduced subjective criteria into selection of what projects should be funded under the F&W program and engaged in proceedings such as RM&E program development without consultation or deference to F&W managers in the region.

Public Policy

In distinguishing the choices available to cure Bonneville's financial situation, Bonneville has largely framed the dialogue in terms of choosing either the health of the region's economy (e.g. ratepayer impact) or the environment (fish and wildlife program). To cast the discussion in such narrow terms marginalizes the national and regional significance of the Columbia River's unique resources and prematurely circumscribes the

varieties of solutions that we as a region can legitimately and responsibly develop to address Bonneville's short-term economic challenge.

In public meetings throughout the region Bonneville representatives have talked about the need to cut costs without jeopardizing "mission accomplishment." I believe that mission accomplishment is already in jeopardy at current fish and wildlife funding levels and that much of the "mission" is already experiencing chronic jeopardy. Failure to adequately and consistently fund fish and wildlife restoration and mitigation has long-term, and potentially irreversible, consequences to the region's salmon and other fish and wildlife species. However, in addition to the incalculable cultural and ecological losses associated with allowing yet more species to be listed as endangered or threatened, the financial and political consequences associated with failing to protect these species are staggering.

In talking about where to cut costs to ease Bonneville's financial situation it is important to pay attention to the fact that, although Bonneville has asked for cuts of as much as 10 percent from the Fish and Wildlife Program, Bonneville's cost overruns are located almost entirely on their power side. The Fish and Wildlife Program is one of the few Bonneville programs that is operating within budget. These power side overruns include the Columbia Generating Station (WNP-2), Bonneville's shared services, corporate G&A, and the power business operation. Approximately \$571 million of Bonneville's deficit is attributable to overruns in the operation and maintenance budgets of Bonneville, the Corps of Engineers, and the Bureau of Reclamation. This, in and of itself, is over three times the current BPA funding target and many times more than the actual accrual figure for F&W spending.

Bonneville recently lauded its track record for making the Treasury payment "on time and in full." Impact to the region consequent from the Treasury "loan", includes substantial and long-standing impacts to regional economies, people, jobs, export and agricultural production, fish, culture and wildlife. These impacts must be mitigated on par with the priority to the Treasury payment and with BPA's track record of on-time payment. I urge Bonneville to take a much more aggressive stance towards meeting its fish and wildlife obligations in addition to the Treasury payment. The Northwest is owed, legally and ethically, a better track record or meeting obligations for fish and wildlife in particular.

In contrast to its stellar record to the Treasurer, in the most recent round of the Northwest Power Planning Council's rolling provincial review project selection process, only a small percentage of scientifically sound and regionally vital fish and wildlife projects were approved for funding by

Bonneville. Over \$100 million dollars of critical fish and wildlife projects which were thoroughly reviewed and subsequently identified by the region's fish and wildlife managers, the Independent Science Review Panel, and the Northwest Power Planning Council, as "high priority" projects, went unfunded in that recent rolling provincial review process due to lack of financial commitment from Bonneville. The fish and wildlife managers have made clear in regional discussions that current funding levels for the Program are inadequate. Thus, achieving true "mission accomplishment" in terms of regional fish and wildlife recovery goals requires substantial increases over existing funding, and at bare minimum in the short-term, we need to hold the line at the funding levels promised by you.

Notwithstanding this commitment, during the period 1998 through 2000 you and key staff members assured the region's fish and wildlife managers, and the region as a whole, that Bonneville would fully fund its fish and wildlife obligations even should it have to defer its Treasury payments. You made clear in this commitment, a comprehension of the urgency of the restoration and mitigation work implemented through the Fish and Wildlife Program. Sadly, I do not find consistency between your comments and your agencies expression of policy or achievement in this regard.

Responsibilities to the Region

Under the terms of the now expired 1996 MOA, the annual fish and wildlife budget averaged \$435 million, of which approximately \$127 million was direct funding for the fish and wildlife program. In December 2001, Bonneville's new Administrator Steve Wright announced that the agency's target budget level for direct funding of the Fish and Wildlife Program would increase in the new rate period to an average of \$186 million per year. However, the Fish and Wildlife Program has yet not been funded at this level and funding has in fact, continued to fall substantially short of this modest target in every year.

Bonneville also has legal obligations to assure that mitigation activities mandated through the Northwest Power Act are fulfilled as well as ensuring that its obligations under the Endangered Species Act are met. This means spending for non-listed stocks (many experiencing long term and significant declines), resident fish, and wildlife must not be foregone in favor of the more recent requirement put upon the FCRPS and the region by ESA. Requirements under the Northwest Power Act cannot be "trumped" by a prejudiced focus on ESA. Furthermore, Bonneville has a moral obligation to present the facts and alternatives accurately to the people of the Northwest. I have a number of concerns about the completeness and

accuracy of information presented to the public in providing context and background for this regional discussion. I am particularly concerned with Bonneville's characterization of the cost of the Fish and Wildlife Program relative to Bonneville's other expenditures. For example, many in the region have received the mistaken impression that Bonneville's 2001 fish operations cost the region's ratepayers at least \$1.5 billion. However, Bonneville has not made clear in these regional forums that they received over \$600 million last year in fish and wildlife credits, and that while the remaining \$900 million is a large sum, some of that was targeted not to fish expenditures, but in fact to purchasing power during the 2001 emergency operations.

For example, the upper Columbia River once fostered the most important anadromous fisheries in the Columbia Basin. The fishery at Kettle Falls alone was one of the greatest fisheries found in the entire Columbia River basin. But the construction of Grand Coulee Dam and later Chief Joseph Dam changed all of that. When Grand Coulee was completed, Kettle Falls along with 1,140 lineal miles of habitat above the dam was submerged under the water that backed up behind the dams. Grand Coulee and Chief Joseph were both constructed with no fish passage. Conservative estimates suggest that the runs of salmon and steelhead lost as a result of this choice exceed 930,000 fish a year. Roughly 37 percent of all anadromous fish losses in the Columbia River basin occurred in the areas blocked by Grand Coulee and Chief Joseph dams. The vast majority of those losses have never been mitigated. Like anadromous fishes, resident fish stocks and wildlife populations were also severely impacted by construction of all of the FCRPS. Vast areas of crucial wildlife habitat were eliminated with the construction of Grand Coulee and this loss of this habitat, in concert with the loss of the vital nutrients provided by anadromous fish throughout the upper basin has had a profound and reverberating negative impact on many terrestrial species (at least 137 different species for instance, have been shown to depend on salmon for food).

The Northwest Power Planning Council's Fish and Wildlife Program which Bonneville funds, provides an important piece of the overall mitigation due to the tribes for losses caused by the FCRPS. Mitigation to the citizens in the Upper Columbia for losses related to FCRPS has long been inadequate and in some cases is still virtually non-existent. The following list represents just a handful of examples of the inadequate existing and historic mitigation to this region:

1. The bulk of Mitchell Act hatcheries were constructed in the lower Columbia River and provided very little mitigation for upstream losses;

2. Construction of four hatcheries was originally authorized as mitigation for anadromous fish losses caused by construction of Grand Coulee Dam, however, only three of those hatcheries were built and sixty years later the fourth hatchery is still owed to the region;
3. The lack of mitigation resulting from failure to construct the fourth hatchery has been additionally compounded by the fact that no mitigation has been provided to the upper Columbia for fish losses of approximately 10-15 percent per project at each of the four FCRPS dams in the lower Columbia River;
4. And on top of this, the lack of timely Federal mitigation for salmon and steelhead losses has also resulted in years of insufficient mitigation for additional losses attributed to the mid-Columbia projects managed by the Public Utility Districts;
5. Today, the only remaining annual anadromous fishery for the Colville Tribes, for example, is a tailrace fishery immediately below Chief Joseph Dam for summer chinook where the 10-year average harvest is 500 summer chinook and 130 steelhead (630 total fish);
6. In comparison the 10-year average Zone 6 tribal harvest is 20,000 spring chinook, 29,000 steelhead, 49,000 fall Chinook, and 2,800 coho (100,800 total fish), and the 10-year average Zones 1-5 commercial harvest is 13,000 fall chinook and 91,000 coho (104,000 fish total).

Bonneville is also further jeopardizing the success of existing fish and wildlife projects and regional recovery goals -- as well as the coherence and effectiveness of the Program overall -- through a unilateral and arbitrary approach to program policy implementation. Bonneville's recent actions have been characterized by project-by-project policy changes, project-by-project withholding of committed funds, inconsistent application of review and policy criteria, a lack of public consultation, and a patent disregard for both the Northwest Power Planning Council's review process, and for the expertise of the region's fish and wildlife managers.

These are only a few examples and they do not touch the inadequacy of mitigation for resident fish and wildlife losses. However, in spite of these circumstances fish and wildlife managers are working every single day to put fish back in the streams, to maintain healthy herds of deer, to save species from extinction; to restore and enhance both aquatic and terrestrial habitat throughout the region -- and they continue to do all of this with only the most limited resources. In order to reach regional objectives, F&W managers have sought out and developed innovative partnerships with County governments, local irrigation districts, Canadian First Nations, and local landowners. They have developed projects which address all of the

four-H's -- habitat, hatcheries, hydropower and harvest. They have developed both long-term and short-term strategies to accomplish these goals. And they have sought to work cooperatively with other regional planning groups to prioritize implementation of projects and to identify and mobilize multiple funding sources.

Arbitrary Premises and Capricious Policy

During the development of the 2002-2006 Rate Case, specific mechanisms were put in place to protect BPA in case the optimistic assumptions employed were not realized in the electricity market place. The Load Based, Financial Based and Safety Net cost recovery clauses are tools that BPA can use to ensure that the electricity rates charged to its customers reflect the true cost in providing that electricity. During the development of the 2002-2006 Rate Case, several assumptions were made as to the cost of electricity on the open market and the amount of electricity that BPA would commit beyond its generating capacity. Those optimistic assumptions are failing and BPA is now in a position that it must implement the rate mechanisms that were negotiated at the time contracts were signed by BPA's customers. These financial mechanisms will provide the flexibility necessary for BPA to meet its obligations for the duration of the exiting rate case.

Bonneville's accounting practices have also proven impenetrable to those trying to engage in this dialog. Determining the actual dollar figure attributed to fish and wildlife spending has been difficult for all parties. For example, estimated power purchases and foregone revenues to offset power not generated due to fish operations at Columbia and Snake River dams were identified as amounting to \$1.5 billion in 2001. If taken at face value, this one-year of costs alone would account for 25 percent of Bonneville's total fish and wildlife costs since 1978. However, Bonneville's calculation of foregone revenue is based on a set of assumptions about costs of non-fish operations which is built on artificial start of season reservoir operation levels. If the non-fish operations were calculated using real start of season reservoir levels the gap between non-fish and fish operations would be substantially less. Determining how to most effectively quench Bonneville's financial shortfall requires clear and comprehensive accounting of Bonneville's operations and real costs.

Citizens and industry in the Northwest have benefited tremendously, and continue to benefit, from some of the lowest cost power in the United States. Subsumed in this regional discussion there is also a very real question of equity regarding who should bear the burden to correct the current financial imbalances. Those ratepayers who benefited substantially

from the artificially low rates of the last few years clearly should bear some of the cost of correcting Bonneville's financial predicament. Truing up the real cost of producing power on the Columbia River with the rates charged for that power will ultimately be in the long-term best interests of both Bonneville and the region as a whole.

A significant contribution to the projected deficit is the commitment that the federal agencies made in regards to their operations and maintenance budgets and projected in the 2002-2006 Rate Case. Nearly half of the projected deficit is entirely due to the federal agencies not meeting cost reduction goals stated in the rate case agreement. If those costs cannot (were not) be reduced, then the rates should be raised accordingly to cover the true cost of operation.

Additionally, in an attempt to assure that the Reasonable and Prudent Actions (RPAs) mandated in the Biological Opinion are met, Bonneville has shown a predilection to transfer all of its fish and wildlife funding commitments to projects that directly address these Endangered Species Act mandates, at the expense of Bonneville's obligations under the Northwest Power Act. I remind Bonneville that the Power Act clearly directs the Administrator to use the Bonneville funds in a manner consistent with the Power Planning Council's Fish and Wildlife Program. Section 4(h)(10)(A) of the Power Act states:

The Administrator shall use the Bonneville Power Administration fund and the authorities available to the Administrator under this chapter and other laws administered by the Administrator to protect, mitigate, and enhance fish and wildlife to the extent affected by the development and operation of any hydroelectric project of the Columbia River and its tributaries in a manner consistent with the plan, if in existence, the program adopted by the Council under this subsection, and the purposes of this chapter. Expenditures of the Administrator pursuant to this paragraph shall be in addition to, not in lieu of, other expenditures authorized or required from other entities under other agreements or provisions of the law.

I agree wholeheartedly that achieving the RPAs outlined in the Biological Opinion is a crucial regional objective. But meeting that objective must not come at the expense of Bonneville's Northwest Power Act and tribal trust obligations. Funding of RPA measures is also the responsibility of other federal agencies. The All-H strategy specifically identifies fish recovery actions to be undertaken by all the appropriate federal agencies. All of those agencies must carry their weight and share the financial burden necessary to meet those objectives. I note that the financial integrity of the FCRPS will be substantially compromised if Bonneville does not meet both

its Endangered Species Act and Northwest Power Act obligations and that BPA places the region at significant risk if it founder in its tribal trust responsibilities and does not afford due deference for decisions about program funding by the fish and wildlife managers in the region

For instance, the fish and wildlife managers recommended significantly more funding for fish and wildlife mitigation that is represented in the final rate case agreement. The final agreement projects fish and wildlife funding in the Integrated Program at \$186 million. During the past year there has been significant discussion regarding this value and BPA has continued to support funding the program at that level. Only recently was it discovered that the commitment to spending in the Integrated Program is actually \$139 million. Also, the rate payers, DSI's and the public should not be led to the false conclusion that rate increases are "caused" by fish and wildlife expenditures. Moreover, I urge BPA to fully and accurately depict the development history of the rate case and describe the spending formula for the power side and business line, as well as the spending history for the fish and wildlife program. I also recommend that if BPA is going to cite the 186 million dollar number as the F&W targets, then I urge BPA to ensure that this amount of funding is made available to the basin for mitigation purposes on a consistent and factual basis.

The fish and wildlife managers in the region have taken unprecedented efforts to review BPA's accounting procedures and recent funding principles to provide input into potential cost saving measures for the Fish and Wildlife Program. Unfortunately, this effort has raised significantly more concerns than opportunities. It is entirely unclear exactly how much is currently being spent on fish and wildlife actions by BPA. BPA claims to spend a certain amount on fish and wildlife, IOU's, DSI and ratepayers cite this as if it were fact, but an examination of BPA's actual spending patterns reveal a very different reality.

For example, the fish and wildlife managers have always committed to seeking efficiencies within the actions funded through the Integrated Program; we will continue to work with BPA to find any and all opportunities in the regard. One overall approach that I believe warrants a thorough discussion would be an effort to identify, additional savings using financial tools (e.g., using borrowing authority for screening projects, land acquisition, etc.

Amendments for the Future

To conclude, I believe that efficiencies across all programs need to be pursued in a manner that allows subsequent decisions to be systematically

scrutinized within the context of risk to the fish and wildlife program, just as risk calculations are applied to the reliability of the power grid. Fish and wildlife restoration and mitigation funding is one of the most important investments we as a region can make in our future. Funding fish and wildlife activities is about making a long-term investment rather than caving in to short-term expediency. The Fish and Wildlife Program is an investment in our region's economy and culture as well as an investment in the national legacy we hand down to all of our children. The value of this legacy is incalculable and cannot be expressed solely in terms of dollars and cents. At the same time, the economic value to the region of restoring and maintaining healthy runs of anadromous fish as well as abundant resident fish and wildlife populations, through relatively meager investments in the Fish and Wildlife Program will substantially outweigh the rather marginal short-term deficit reduction benefit derived from cutting funding to the Program.

Further, I propose that rate case development should be reviewed specifically within the context of risk associated with BPA abrogating ESA, the Power Act and federal treaty trust responsibilities. My petition is for BPA to manage financial stability such that fish and wildlife responsibilities are more fully and consistently met in the future. We recommend that Bonneville aggressively seek cost savings within its own administrative structure just as we have done within all of our programs. There are clearly opportunities for greater cost savings within Bonneville's shared services, corporate G&A, and power business operations among others. We also strongly urge Bonneville to work with other in the region to develop accounting mechanisms which allow for a more transparent review by constituents throughout the basin, or Bonneville's overall expenditure both on the fish and wildlife and power sides of the equation.

I recommend the prompt implementation of both the Finance and Safety Net CRACs. These were mechanisms negotiated in good faith by participants in the last rate case. In the long-term truing up the real costs of power generated in the Columbia River, with rates charged for that power, will provide political and economic stability as well as economic benefits to the region.

Regards,

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