

CBFWA Financial Principles
(Testimony to the Northwest Power Planning Council on December 10, 2002)

The fish and wildlife of the Columbia River Basin are held in trust for the public. As member agencies and tribes with the legal and statutory authority to manage that public trust, we believe that Bonneville Power Administration (BPA) must meet its Trust and Treaty responsibilities to the CBFWA Member Tribes and fulfill its responsibilities under the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) and the Endangered Species Act in a manner that recognizes our role and responsibilities.

A) Comments on BPA's Financial Crisis

1. **Bonneville's current financial dilemma is not a result of the Program-** CBFWA Members remind BPA that the Program does not jeopardize BPA's financial stability, as demonstrated in the Rate Case. Unanticipated power market conditions and federal agency cost overruns drive the projected \$1 billion deficit during the next four years.
2. **Bonneville's characterization of fish and wildlife costs has been misleading-** The most recent letter from BPA identifies an increase in fish and wildlife spending by nearly \$100 million as one reason that rates have increased. It also indicates that programs that benefit fish and wildlife will increase on an average annual basis of nearly \$80 million. This information directly contradicts BPA's actions in reducing project funding and their proposal to reduce the Program overall. The Program remains under spent according to the rate case targets they identified in their letter to NWPPC in December 2001, and the funding level adopted by NWPPC.
3. **Program funding is considerably lower than proposed by individual CBFWA members-** BPA set the cost estimates for the Fish and Wildlife Program considerably lower than the level recommended by our individual Members during the rate case hearings. The first round of the Rolling Province Review demonstrated that BPA has not provided adequate funds to implement the highest priority projects within the Program. Further, the Program is one of very few budget categories where BPA is projected to spend less than the original Rate Case estimates (i.e., the spending level adopted by NWPPC for the Program).
4. **Funding for the Fish and Wildlife Program directly affects the region's economy-** The CBFWA Members recognize that BPA's financial health is important to the region, from an economic and a fish and wildlife perspective. BPA's financial health directly affects funding levels available for the Fish and Wildlife Program. However, BPA should realize that the Program and the natural resources it supports are also vital contributors to the region's economy, as are low power rates. BPA funding is multiplied not only by direct cost share, but also through contribution to rural economies across the Basin.

B) Maintain Rolling Province Review Decisions

5. **No net reductions from \$186 million commitment in FY 03-** In recent years substantial gains have been made in mainstem fish passage survival, habitat improvement and acquisition, hatchery supplementation, and technology development. The CBFWA Members believe that reducing fish and wildlife protection, mitigation, and recovery efforts would be short sighted and result in the need for greater expenditures in the future. Temporary measures taken to keep BPA solvent must not compromise the integrity and

effectiveness of the programs that protect, mitigate, and enhance fish and wildlife resources in the Columbia River Basin, and not jeopardize the protection, mitigation, and enhancement actions that BPA has initiated over the last 20 years.

6. **Budget reductions could negatively impact ESA efforts and Subbasin Planning-** BPA has recently released its 5-Year BiOp Implementation Plan and the NWPPC is pursuing Subbasin Planning. The current budget reductions may have a significant impact on the effectiveness of those planning efforts. In fact, those planning efforts may fail if BPA does not provide adequate funding for implementation.
4. **Few opportunities exist within the Program for significant cost savings-** All of the eligible projects within the Program have been through the thorough Rolling Provincial Review process and were found by the CBFWA, Independent Scientific Review Panel (ISRP), and the NWPPC to be high priority. Because most projects in the Program span multiple years, few opportunities may exist for cost savings without undermining current investments.
5. **Fish and wildlife costs will increase in the future-** Each year of delay makes the job of recovering listed species and restoring fish and wildlife more difficult and expensive. In the same way that BPA views its “revenues foregone,” the CBFWA Members view “fish and wildlife foregone.” Each year the economic benefits provided to the region from more salmon and other fish and wildlife is foregone, as well as the religious and cultural benefits provided to the tribal communities.

C) Future funding and implementation for the Fish and Wildlife Program

6. **Transition funding-** BPA is currently shifting from an obligations based accounting system towards an accrual based system. This transition could have significant and profound impacts on the existing fish and wildlife projects being implemented through the Program. There has also been discussion of eliminating nearly \$50 million of carry forward funds that are directly tied to specific tasks and objectives within projects. In order to protect the integrity of the Program, BPA should consider making some additional funding available to cushion the shock of this transition. BPA’s accounting systems are not prepared to support an accrual based budget for FY 2003 and the Program could be severely compromised if some level of compensation is not identified to cover this transition year.
7. **Bonneville should make better use of the borrowing authority identified in the rate case-** BPA committed to spending \$36 million in Capital projects within the Program. Due to BPA’s internal policy decisions on how to define Capital projects, the potential for this budget category is not being fully utilized. BPA should work with the fish and wildlife managers to establish a definition of Capital that is consistent with the Northwest Power Act and maximizes access to Capital funding.
8. **Agreement on implementation policies and procedures-** BPA, with the fish and wildlife managers and the Northwest Power Planning Council (NWPPC), should pursue an agreement that establishes the process and procedures for implementing the Program. This agreement should provide stable and reliable funding that is not susceptible to unstable energy markets or unpredictable weather patterns, in order to provide the protection, mitigation and restoration actions required to protect fish and wildlife impacted by the Federal Columbia River Hydropower System.

9. **Eliminate contracting inconsistencies and project micro-management-** BPA is unilaterally implementing arbitrary, subjective policies on a project by project basis. These recent actions include: performing a third round of project reviews independent of the regional process; implementation of “new” policies at the project level; withholding previously committed funds from numerous projects; and, inconsistently applying review criteria and policies at the BPA project manager level. BPA’s “new policies” are being implemented without any public consultation which indicates a patent disregard for the NWPPC review process, and the expertise of, and deference due to, the region’s fish and wildlife managers. Specific project management decisions should be relegated to the project sponsors. BPA’s actions are resulting in a loss of efficiency and effectiveness in project implementation and hence, in implementation of the Program.