



May 14, 2004

TO: Members Management Group (MMG)

FROM: Tony Nigro, Vice chair

SUBJECT: Draft Action Notes for April 27, 2004 MMG Meeting

**If there are no objections within five days, these action notes will be considered final**

MEMBERS MANAGEMENT GROUP MEETING

April 27, 2004

CBFWA Office, Portland, Oregon

**Draft Action Notes**

**Version 1**

**Attendees:** Tony Nigro, ODFW; Peter Hassemer, IDFG; Dave Statler, NPT; John Palensky, NOAA Fisheries; Bruce Suzumoto, NPCC; Mark Bagdovitz; Fred Olney, & Maureen Smith, USFWS; and Rod Sando, Kathie Titzler, Tom Giese, Tom Iverson, Tana Klum, Frank Young, Neil Ward, Trina Gerlack, CBFWA

**By Phone:** Rudy Peone, STI; Amos First Raised, BPT; Laura Gephart, CRITFC; Lynn DuCharme, CSKT; Carl Scheeler, CTUIR; Sue Ireland, KTI; and Mary Verner, UCUT

**Time Allocation:** 2004-2005 Objectives:

1. Project/Budget Recommendations	18%
2. Fish and Wildlife Regional Issues	69%
3. Annual Report	07%
4. RM&E	
5. Other Business	06%

Rudy Peone participated by phone and arranged for Tony Nigro to chair the meeting at the CBFWA office.

An issue came up for discussion between agenda items 14&15. Rod Sando notified the MMG that his two year contract as the CBFWA Executive Director expires June 17, 2004. Rod would like to continue working as the ED for one more year if the CBFWA Members want him. If not, he will need to start preparing for his departure.

**ACTION: The MMG called for an executive session at the next MMG meeting for further discussion and review. They requested that Jann Eckman prepare the documents needed to make a decision at that meeting.**

**ITEM 1: Critical Habitat for Bull Trout**

Discussion: Mark Bagdovitz, USFWS, reviewed the “Economic Analysis of Critical Habitat Designation for the Bull Trout: An Overview” handouts with the MMG. He discussed the critical habitat designation for bull trout in the Columbia Basin, updated the MMG on the April 2004 draft economic analysis associated with the designation and listing of bull trout, the recent decisions to undertake a 5-year status review of bull trout, and the status of the recovery plan.

The first draft economic analysis is open for public comment. The draft recovery plans will not be finalized until the status review is completed. The final analysis will be released September 2004.

The MMG asked why the benefits to recovery and F&W Managers opportunity to comment were not included in the first draft. The USFWS decided to drop the benefits portion and keep the cost analysis. The benefits of critical habitat analysis will not be released. Mark didn't see the report before it went to Washington D.C. and this is a policy decision. The MMG is concerned because the analysis is not complete without the benefit portion.

Staff assignment: Mark will send the MMG the link to the economic analysis posted at <http://pacific.fws.gov/bulltrout/> and research the question “What is the cost of the loss of sport fishing?” The CBFWA staff will work with Mark to check timeline to comment and assess opportunities to draft a consideration letter for MMG review. Staff will pursue the benefit portion of report and check response from the policy side at USFWS.

**ITEM 2: CBFWA Comments to BPA Strategic Direction Paper for the Future**

Tom Giese presented draft comments on the BPA Direction paper focusing on redundancy of efforts in the region. The due date for the comments is April 30, 2004. In June 2004 BPA will send another draft and the final will be out in fall of 2004 in time to affect the next rate case.

MMG participants expressed concerns with the tone and direction of Tom's draft.

The MMG directed Tom to:

- ACTION:
- Send the first paragraph of the original draft to BPA to inform them that CBFWA is in the process of preparing comments.
  - Rewrite the letter to provide positive comments and suggestions on BPA's fish and wildlife goals and objectives, funding obligations, future MOA, and need for a collaborative public process.
  - Send the revised letter to the MMG for review and comment on 4/23/04 with comments due back by COB 5/7.

**ITEM 3: Project 2000-007-00: Infrastructure to complete FDA Registration of Erythromycin**

John Palensky said NOAA Fisheries objects to the legal tone in the draft letter. Mary Verner requested the letter include other projects that have suffered the recent impacts of BPA decisions to under fund or not fund.

**ACTION:** The MMG asked Rod and John Palensky to work together to rewrite the letter maintaining many of the ideas, but without the legal tone. Staff is to send the revised letter to the MMG for comments and approval via email.

**ITEM 4: Fish and Wildlife Program Implementation**

**Discussion:** Tom Iverson reported that current FY04 SOY budget is \$151.5M and \$153M is the spending allowance. CBFWA is the only project with a Council recommendation that is not funded at this time. He suggested waiting out BPA's decision until next week and act after the decision with a letter if necessary.

Dave Statler asked if notes were being recorded from the Program Status Review meetings and where they would be located. Tom Iverson reported that BPA has not provided transparent recording of their funding decisions resulting from the PSR. Notes were provided following the January PSR and they are available on the BPA website.

Tom explained the FY 2005 NPPC Start of Year Budget Development Process. A budget oversight group (Tom Iverson, Patty O'Toole, Mark Fritsch, NPCC state staffers, Val Lefler, and Dave Thatcher with participation by COTRs) will identify the FY05 budget needs for each project consistent with the Rolling Provincial Review recommendation. The first draft of the needs will be released May 7<sup>th</sup> for public comment. Along with the identified needs, the budget oversight group will also identify specific issues that the Council may wish to address in order to reduce the programmatic budget, if necessary, in FY 2004. The Council will review the draft budget and issues at their June 2004 meeting and will make a final decision at their July 2004 meeting.

**Staff assignment:** Tom requested feedback from the MMG on the draft BPA Fish and Wildlife Funding White Paper. The white paper includes 26 years of data of BPA's F&W program funding. Tom requested calls from the Members with questions and comments regarding the audiences and effective use of the white paper. The MMG suggested calling Ed Sheets and CRITFC for comments. Comments are due May 14. A final draft will be prepared for review at the next MMG meeting.

**ITEM 5: CBFWA Contract**

**Discussion:** Kathie Titzler, CBFWA reported that the FY04 CBFWA contract for \$1.245M is signed and we are waiting for a decision on the \$.5M Members and staff travel funding. At this time CBFWA has approximately \$15,000 for Members travel from April 1, 2004 through March 31, 2005. Travel funding for CBFWA meetings and CBFWA representation at NPCC & BPA meetings will be approved on a case-by-case basis by Rod or Jann. The request forms for travel are posted at <http://www.cbfga.org/forms.cfm>. Email the form with the reason why and cost estimate of your travel. Jann or Kathie will check the budget status and your approval notice will be sent to you by email.

Staff assignment: Kathie will send out the Administrative Process for Members Travel packet by the end of the week.

**ITEM 6: Annual Reports**

Neil Ward, CBFWA, reported that the CBFWA staff is addressing the comments that the BPA provided relative to the report (BPA comments were forwarded to CBFWA members) and indicated that BPA requested a meeting with the CBFWA to discuss additional concerns that were not included with their written comments. Neil indicated that the CBFWA staff was requested to present the Draft Annual Report to the Public Power Council (PPC) on May 5, 2004. In addition, Neil proposed that the CBFWA present the report to the Northwest Power and Conservation Council (NPCC) at their May meeting in Walla Walla, Washington.

The MMG approved presenting the draft report to the PPC. The MMG indicated that would like to review the response to BPA's comments prior to the meeting with BPA. Also, the MMG requested that CBFWA staff postpone their presentation to the NPCC until the final draft of the report is complete.

Neil presented the draft schedule for the project reviews that will occur during 2004. The first AFC 2004 Project Implementation Review Conference will occur September 21-24, 2004, in Richland, Washington. At which time the AFC will review anadromous fish projects implemented in the Columbia Plateau, Mountain Snake, and Blue Mountain Projects implemented in the Mainstem and Lower Columbia/Estuary Provinces will occur at a later date in 2004.

**ITEM 7: APRE Issue Paper**

Discussion: Bruce Suzumoto, NPCC, presented the three major recommendations highlighted in the APRE issue paper: 1. Better align subbasin, basin and out-of-basin goals; 2. Implement near-term prioritized hatchery reforms; and, 3. Develop an ongoing, sustainable hatchery review process. The focus is on subbasin goals and needs and giving equal time and greater deference to local goals and objectives.

The MMG expressed many concerns with the APRE issue paper. The subbasin planning process and HGMPs are not finished and they should be final before any realignments can be defined. The F&W Managers have not been included in discussions, and other processes to address the APRE issues. There appears to be possible duplication of efforts; i.e. summary of ESA due to harvest. Each hatchery has different purposes that are legitimate for mitigation and conservation. There are tight rules for hatcheries, federal, count order plans, US.v.OR, and BiOp spending limits. The APRE issue paper is lacking recognition and close collaboration with the F&W managers involved. However, the NPCC timeframe is to release the draft by the end of May 2004.

AFC assignment: The MMG asked Bruce to work with the Pete Hassemmer and the AFC to provide constructive input on the APRE issue paper. The MMG would like Bruce to come back and discuss specifics and the mission statement.

**ITEM 8: CBFWA Technical Conference**

Discussion: Pete Hassemer, IDFG reported that the draft conference material was shared with the PPC and PNGC power interests. The power folks are interested and need time to discuss the technical conference with others. The meeting is tentatively set for Sept. or Oct. 2004. The next meeting is May 4, 2004 to engage the Tribes and other interested parties to discuss the details before the final agenda goes out to the power policy folks. What is the role, involvement, and commitment of the power agencies? Pete and Tom will keep the MMG updated.

**ITEM 9: Summer Spill**

Discussion: John Palensky, NOAA Fisheries reported that the BPA spill decision is postponed with no date set. Insufficient offsets are available, particularly for listed fish. The NOAA reviewed the BPA analysis and found flaws. The numbers listed for fall Chinook by BPA SAR-26 fish and by NOAA 56 fish. The proposal for pikeminnow program funding and improvements can be done under the BiOp and won't count as an offset. A reduction at Grant Co. PUD and Hanford is worth half of the benefit. The Umatilla Tribe sent notice to sue if the spill decision goes through. The COE and NOAA Fisheries are preparing a decision for Judge Redden's approval. The Libby Hungry Horse analysis is finished this week and any reduction on Libby Hungry Horse replaced by flow elsewhere will be problematic. There is pressure on NOAA to consider the impacts on non-listed fish and it's a big issue for the states and Tribes. The NOAA's reply to the four governors is that the entire offset concept is flawed, presumes we are holding back to produce more fish and the recovery now in use is status quo. The Dworshak drawdown and Brownlee Dam are still on the table.

**ITEMS 10 & 11 combined: Long Term BPA Fish & Wildlife Funding Agreement and FY 2007-2011 BPA Rate Case**

Discussion: Tom Giese reported that a small group (Doug Marker, Patty O'Toole, NPCC & Bob Austin, BPA) reviewed individual projects to estimate the amount of funding that BPA has commitments to provide to continue the current program. The initial estimate is that it costs BPA \$58 million annually to maintain the current program without doing any additional work.

An ad hoc MOA working group has been meeting, including representatives of the BPA, NPCC and tribal staffs. NPCC staff is revising a BPA proposal to set performance measures to be met during the next rate case, to serve as a means of setting F&W costs. The current schedule is to complete a cost estimate by early autumn, which will be reviewed in a public process before BPA makes its assumptions for the rate case.

The MMG expressed concerns that CBFWA staff is involved in a process that is not open or sufficiently collaborative and that the current approach appears too complex.

Staff Assignment: The MMG request that Tom develop a less complex alternative that might be discussed with regional utilities for the next MMG meeting.

**ITEM 12: Subbasin Plans**

Discussion: Tom Giese reviewed the current NPCC schedule for subbasin planning post May 28, 2004. Public comment and F&W Managers comment period is 6/7/04 through 8/12/04. NPCC staff and state coordinators will respond to comments by October-November 2004. The draft amendment and review process is a three week comment period prior the adoption date on December 16, 2004.

**ITEM 13: BPA's Power Net Revenue Improvement Sounding Board**

Discussion: Tana Klum reported that the Sounding Board to date has found about \$95M toward BPA's goal of \$100M in additional revenue opportunities or cost savings. Some of the amount comes from "net interest expense," a combination of debt rescheduling, capital projects that are scheduled for funding but are not yet operational (hatcheries, Columbia Generation Station work, etc.) and the ability to borrow from the Treasury at lower interest rates. Other cost savings were found throughout the 10 categories, and the group decided further cuts in the fish and wildlife program would not be considered.

Although the group has been clear that they are not the forum to decide on the spill issue, the Sounding Board considers revenue from summer spill an opportunity toward the \$100M should that decision be made.

**ITEM 14: BPA's Investor Owned Utilities Settlement**

Discussion: Tana Klum provided a background handout and reported that BPA has offered to the six regional investor owned utilities (IOUs) a proposal that would keep utility rates down while paying the IOUs \$100 of the \$200M "reduction of risk discount" owed to them by BPA in a previously negotiated contract. During the power crisis of 2000-2001, BPA asked the IOUs to take a cash payment in lieu of power when prices skyrocketed.

In the proposal, which PacifiCorp and Puget Sound Energy have tentatively agreed with, the first \$100M would be waived by the IOUs and the other \$100M would be deferred to the next rate case (2007-2011) with interest. Currently, the \$200M is due to be called on October 1, 2004 and paid in 2005-2006.

Before the proposal would go into affect: 1) BPA's accounting firm would have to agree the amount is not an "expense"; 2) Oregon Public Utility Commission has to agree to it; 3) the 1998 Subscription Strategy would have to be amended.

Benefits of the proposal would include: 1) Public utilities retain their current lawsuit against the IOUs; 2) the Load Based Crac would be reduced by 8.6%; 3) overall rates would drop in 2005-06 by 6%; 4) rates would only go up by 1% in 2007-11; 5) the IOUs would gain certainty in how their rates are calculated, there would be a floor and ceiling cash benefit and they would not receive power benefits outside of their contracts.

**ITEM 15: Should CBFWA Provide Input to BPA Outlining Criteria for Fish & Wildlife VP Position**

Staff assignment: The MMG agreed and asked staff to call on the environmental groups for their input and write a draft description characterizing the key needs for the environment, fish and wildlife VP position. After the MMG reviews and approves the position description it will be offered to BPA as guidance.

On June 1<sup>st</sup> Greg Delwiche will serve as the vice president for environment, fish and wildlife at BPA.

**ACTION:**

Therese Lamb's last day at BPA is April 30, 2004. The MMG recognizes her collaborating efforts with the Members and approved sending her a plaque from CBFWA.

**ITEM 16:**

**Next MMG Meeting Date and Location**

The next meeting is tentatively scheduled for June 2 & 3, 2004 in Long Beach, Washington pending Members availability for those dates. The MMG requested CBFWA staff to poll the Members for their interest in attending the meeting, review the budget for Members travel, and do a feasibility check on the meeting logistics. If the Members response to attend is high and the budget is available the meeting will be scheduled for June 2&3, 2004. If not the MMG meeting will be scheduled for Tuesday, May 25, 2004 at the CBFWA office.