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January 29, 2009

DECISION MEMORANDUM

TO: Council Members

FROM: Mark Fritsch, project implementation manager

SUBJECT: Council decision on first quarter within-year project-funding requests

PROPOSED ACTION: Approve six of the within-year project-funding requests as defined and conditioned by staff.

BUDGETARY/ECONOMIC IMPACTS

The total requested amounts are \$700,904 expense and \$3,500,000 capital funds in Fiscal Year 2009. These amounts are in addition to the Fiscal Year 2008 - 2009 funding recommendations.

BACKGROUND

The Bonneville Power Administration (Bonneville), the Council, and the Columbia Basin Fish and Wildlife Authority have formed a budget oversight group (BOG) to conduct a budget-tracking process. A principle role of the BOG is to validate whether the requests are rescheduled or within-year requests (i.e., scope change, budget change, scope/budget change, reschedule, and new request) and to place the within-year requests into one or more of the sorting categories (1-5). Reschedules are forwarded to Bonneville for assessment and funding as funds become available, and within-year requests are also forwarded to Bonneville for a recommendation on the availability of funds as identified at the quarterly reviews. The BOG uses the quarterly reviews to initiate a prioritization process to establish which budget adjustment requests can be met with the available funding in the current fiscal year project budget. This process also includes a public comment period.

On January 13, 2009, the Council staff presented the requests and reviewed the schedule for the within-year budget adjustment requests for the first quarter of Fiscal Year 2009.

The comment period associated with these requests closed on January 23rd. No comments were received.

ANALYSIS

Of the nine requests reviewed by the BOG during the first quarter of Fiscal Year 2009, two requests were addressed by Bonneville as a corrective action in early January 2009 (Project #1982-013-04 and Project #1989-096-00) to restore monitoring and evaluation (M&E) funding cuts, and one was denied by the BOG (Project #2007-170-00¹). None of the requests triggered the threshold adjustment as part of the budget-tracking process. The remaining six requests are scheduled for a recommendation in February.

The following categories, as outlined in the attached table (see Attachment 1), address the nine project requests and the Council staff's recommendations associated with the six requests seeking a recommendation. In addition, on January 29, 2009, the Council received a letter from Bonneville summarizing these within-year requests being considered during the first quarter of Fiscal Year 2009 (see Attachment 2).

Category 3a: Threats to Project Integrity - (a) that jeopardize the performance of the entire project

- Project 2007-251-00, *UPA Project - Methow Valley Irrigation District East Diversion Dam Replacement*

The Methow Salmon Recovery Foundation is requesting a \$216,000 increase in expense funding for Fiscal Year 2009 to accommodate design changes developed through a Value Engineering (VE) process conducted by Bureau of Reclamation and Bonneville Power Administration in November of 2008. The MVID East project will replace an obsolete headgate structure, extend an existing wing dam, install pipe/trash rack/inlet control, reconstruct a wasteway, and construct grade control at inlet. In addition, the existing fish return structures (i.e., outlet elevation, buried pipe, and outlet sluiceway) at the screens will be renovated as they do not meet regulatory requirements at all operating flows. These actions will allow the fish return to function 100 percent of the time (currently functions 95 percent of the time) and will address all compliance issues that are required for continued irrigation operations and fish screen compliance. The funding request approved from the Fiscal Years 2007-09 solicitation will not cover the additional costs of the recently updated design.

The Methow Valley Irrigation District (MVID) was organized in the early 1900s to supply water for agricultural production. MVID is composed of two main canals. The West Canal diverts water from the Twisp River, and the East Canal diverts water from the Methow River.

Funding from Bonneville originally was approved by the Council in 1996 as a part of a regional package of passage-improvement and water-quantity restoration projects. Bonneville committed a balance of \$2.8 million to the Washington Department of Ecology to an initial project scope of a pressurized irrigation delivery system (design and construct - \$1.3 million), compensating landowners (\$1.5 million) who would be

¹ BOG determined that the request could be addressed as a reschedule and not a within-year budget adjustment request.

excluded from the irrigation district so that they could install wells, and complying with NMFS passage requirements.

In April 2003 the MVID requested a change in scope from an enclosed pipe system to an upgraded diversion with replacement of fish screens that would address passage and screening problems at the MVID East Side Canal Site on the Methow River and at the MVID West Side Canal Site on the Twisp River. On May 7, 2003, the Council approved the change in scope for the construction of diversion screens, not to exceed \$995,706, subject to the review of the Council at completion of final design. The approval is conditioned with the understanding that there is an agreement provided by Bonneville, MVID, Bureau of Reclamation (BOR) and the Washington Department of Ecology regarding the final designs and costs associated with the screen replacement. In addition, the Council requested that the balance of the existing capital commitment remain available for the resolution of the water quantity improvement elements of the original project scope.

On August 13, 2003, the Council recommended that Bonneville fund the construction of the traveling belt fish screen (\$421,106 for the MVID East Side Canal Site on the Methow River) and rotating drum screen (\$516,477 for the MVID West Side Canal Site on the Twisp River) not to exceed a total cost of \$957,583. It is also understood that all operation and maintenance costs for the new screens will be assumed by MVID and that any other phases associated with the project would be defined in the anticipated subbasin plan. In addition, the Council conditioned this approval on Bonneville funding this work with Fiscal Year 2003 capital funds. Both projects were completed to the design specifications following funding approval.

Renovation of the East and West diversion dams to address fish passage, in-stream habitat degradation, and generally outdated diversion controls was proposed by MVID and BOR for funding as part of the Fiscal Years 2007 - 2009 review and through Washington State's Salmon Recovery Funding Board (SRFB) process. Funding for the MVID applications was not recommended by the Council, but was funded by Bonneville as a BiOp project. Funding was also awarded through the SRFB process. As reviewed by the ISRP ("Fundable," ISRP Document 2006-6) the project proposed to remove the present channel-spanning irrigation diversion dam and replace it with a reinforced earth and rock wing dam and re-open one-quarter-mile of side channel habitat blocked by an existing pushup berm.

Though past actions had paid for the new fish screens for MVID at this site, the 50-year old diversion structure never had been updated and needed to be addressed - the intent of Bonneville's funding recommendation in association to the Fiscal Years 2007 - 2009 review.² The regulatory agencies, the FCRPS agencies, and others interested in salmon recovery in the Upper Columbia wanted to find a long-term solution to the problem of MVID's river disturbing activities. BOR worked on this design periodically and

² Bonneville Implementation Planning Budget (July 2, 2007) at \$35,840 in FY 2007, \$434,240 in FY 2008 and \$23,840 in FY 2009 - with comment stating: "Project will remove diversion demand provide side channel access to benefit low productivity populations in Methow. [See footnote reference: R13 (BiOp Projects Not Recommended by Council)].

presented several draft designs. Generally, stakeholders such as Washington Department of Fish and Wildlife, NOAA Fisheries, U.S. Fish and Wildlife Service, Bonneville, and MSRF did not like a number of elements contained in BOR's final design. Concerns included too much rock/concrete and the high costs. This process of design modifications and feedback was very slow and tedious so minimal progress, beyond removal of the aging log crib diversion structure, was made on this project in 2007 and 2008. To accommodate stakeholder concerns with the proposed design, BOR and Bonneville agreed to convene a VE process to develop a modified design that incorporates the concerns of all the stakeholders.

The current funding request reflects the increased cost associated with the designs, as developed, during the VE process with the stakeholders. Based on these changes the project as funded as part of the Fiscal Year 2007 implementation planning budget for Fiscal Years 2007 - 2009 needs this budget adjustment to reflect added costs associated with extension of the wing dam, reconstruction of the wasteway, and modifications to the fish return required to meet fish-passage requirements at all operational flows at the previously approved and constructed screens.

Staff Recommendation: Bonneville supports the budget adjustment of \$216,000 for this request. The Council staff recommends that the Council also approve this request with the following conditions.

- Project sponsor shall demonstrate increased cost share from other project-funding sources so that Bonneville's proportion of funding ratios remains the same as originally approved (i.e., roughly 59 percent Bonneville and 41 percent State of Washington – SRFB).
- No additional cost increases will be provided for this project.

Category 3b1: Threats to Project Integrity - (b) that jeopardize the performance of a discrete task or objective; (1) adverse biological consequences to the project

- Project 2000-036-00, *Protect & Restore Mill Creek*

The Nez Perce Tribe is seeking direction on an expansion of scope in association with this project to cover work associated with severe damage and substantial sedimentation of Mill Creek and its tributary Big Canyon Creek that occurred in a May 2008 landslide. The new work elements to accomplish this work are associated with stream channel re-alignment, in-stream habitat complexity installation and floodplain enhancement in the lower watershed.

This is a not a budgetary request. The addition of this work does not require additional funds, as there are funds left over from the implementation of a culvert replacement in 2008. The implementation of the culvert replacement was less expensive than anticipated, resulting in available funds for the proposed new work elements to address the damage caused by the landslide.

The original intent of the project, as favorably reviewed (ISRP Document 2006 - 6) and recommended as part of the Fiscal Years 2007 - 2009 review,³ was to protect, restore, and enhance the Mill Creek Watershed to provide quality habitat for anadromous and resident fish. The work elements emphasized to accomplish these goals were culvert replacement and riparian restoration.

Staff Recommendation: Council staff feels that the additional work elements requested to address the needs within the watershed are appropriate. The new work elements address upland erosion and sediment control, road design, in-stream habitat complexity, and channel and floodplain modifications. These elements are clearly within the original intent of the project and therefore do not warrant review by the ISRP at this time. Bonneville also supports this recommendation.

Category 3b2: Threats to Project Integrity - (b) that jeopardize the performance of a discrete task or objective; (2) The loss of monitoring and evaluation data

- Project 1982-013-04, *Coded Wire Tag - WDFW*

The Washington Department of Fish and Wildlife (WDFW) is requesting \$44,636 in expense funds in Fiscal Year 2009. The Council as part of the Fiscal Years 2007 - 2009 decision recommended funding this project at \$335,094 each year. Bonneville, as reflected in the Implementation Planning Budget for the project (July 2, 2007), identified funding at \$319,137 in Fiscal Year 2007, \$319,137 in Fiscal Year 2008, and \$271,266 in Fiscal Year 2009. The reduction in the Fiscal Year 2009 budget was intended to address concerns that Bonneville had regarding in-lieu and research, monitoring and evaluation issues (RM&E).⁴

The sponsor's request attempts to restore funding near to the Fiscal Year 2008 level and cover additional cost increases (i.e., coded wire tags) that the project has sustained. If the funds are not received it will be difficult for the WDFW to maintain the project's integrity to obtain statistically reliable survival and catch estimates.

On January 6, 2009 the Council received a letter from Bonneville addressing the Fiscal Year 2009 project budgets that were originally reduced due to concerns regarding in-lieu issues. Based on their review and the expectations associated with the RM&E categorical review, Bonneville restored this project to the Fiscal Year 2008 funding level of \$319,137.⁵

³ Bonneville Implementation Planning Budget (July 2, 2007) at \$80,096 in FY 2007, \$150,000 in FY 2008 and \$150,000 in FY 2009. Bonneville's funding decision, July 1, 2008 reflected \$150,000 in FY 2008 and \$300,000 in FY 2009 with comment stating "change supports additional benefits to listed anadromous fish not supported via an MOA."

⁴ Bonneville Implementation Planning Budget (July 2, 2007). Expense Comments: See footnote reference: R8 (in Lieu), R11 (M&E).

⁵ This correction reflects a \$47,871 budget increase.

Staff Recommendation: The correction to this project's expense budget, as addressed in the January 6, 2008 letter, addresses the requested budget adjustment. At this time no additional action is needed.

- Project 1987-127-00, *Smolt Monitoring By Non-Federal*

The Pacific States Marine Fisheries Commission (PSFMC) originally requested \$124,968 in Fiscal Year 2009 expense funds. The project was recommended as part of the Fiscal Years 2007 - 2009 recommendation at \$2,351,730 per year. Bonneville funded the project at \$2,251,743 in Fiscal Year 2007 and \$2,240,808 in Fiscal Years 2008 and 2009. Based on additional review by Bonneville and the sponsor, the within-year budget adjustment is lower -- \$118,544 (reduction explained below)-- but would be additive to the Fiscal Year 2009 expense budget, which then would total \$2,365,776.

The smolt-monitoring program (SMP) provides data on movement of salmonid smolts out of the major drainages and past dams on the Snake and Columbia rivers. Migration strength and migration timing are provided for the run-at-large at key monitoring sites. In addition, marked smolts from hatcheries, traps, and dams provide measures of smolt travel time and survival through key reaches in the rivers. These data are used for in-season operational decisions relative to flow and spill management, particularly during periods when spill is being provided to improve smolt passage at dams.

The request seeks additional funds to purchase supplies and equipment (e.g., MS-222 and PIT tags); repair screens and traps; cover agency-mandated increases in personnel benefits; fund an additional needed position at Little Goose Dam, and upgrade computer hardware required at four sites to facilitate a new standardized remote data-entry program. However, the hardware upgrades at the four sites already have been accomplished using line item transfers within the 2008 contract budget. So the total requested amount has been reduced to \$118,544. The majority of the budget adjustment addresses the following.

- Grande Ronde trap: \$25,778 - backup trap screen and fuel costs (\$6,703); increased salaries, benefits, and overhead mandated by the state (ODFW @ \$10,053); and required PIT tag purchase (\$9,022).
- Lewiston and Salmon River Traps: \$27,667 - required PIT tag purchase (\$27,113); increases to salaries and benefits mandated by the state (IDFG @ \$554).
- Lower Granite Dam: \$5,713 - MS-222 and miscellaneous supplies (\$4,456); increases to salaries, benefits mandated by the state (WDFW @ \$1,257).
- Little Goose Dam: \$28,619 - one staff is required at Little Goose to allow the daily sample to be processed within the allotted time period. The change at Little Goose is required because more fish are sampled at Little Goose than occurred in past years prior to the installation of the RSW at Lower Granite Dam, which has increased fish in the sample at Little Goose (ODFW @ \$28,619).
- Lower Monumental Dam: \$3,019 - increases to supplies and equipment.

- McNary Dam: \$11,445 - MS-222, fuel costs and miscellaneous supplies (\$6,638); and increases to salaries, benefits mandated by the state (WDFW @ \$4,807).
- Rock Island Dam: \$12,688 - required PIT tag purchase (\$10,785); and increases to salaries, benefits, and overhead mandated by the state (WDFW @ \$1,903).

The BOG discussed the urgency of the request, specifically the additional staff associated with the spring sampling season, but felt that it did not warrant raising the request to the BOG Management Group. As captured in the BOG comments it was also mentioned that BPA will work with the BPA COTR to discuss more urgent activities.

On December 1, 2008 the item was raised to the BOG Management Group (Bonneville, NPCC and CBFWA) as part of a teleconference. Based on the support from the management group an email to the Council members was distributed on December 2, 2008. Questions regarding the timelines and the urgency of the request was raised and the request was deferred to the established schedule of the quarterly review.

Staff Recommendation: The request addresses the need for additional personnel to conduct smolt sampling at Little Goose Dam, and for additional/replenished supplies and computer upgrades. The actions that this project addresses are vital to the ongoing effort to collect daily passage data on movement of salmonid smolts out of the major drainages and past dams on the Snake and Columbia rivers. These data are used for in-season operational decisions relative to flow and spill management. The Council staff concurs with Bonneville and supports this request.

- Project 1993-056-00, *Research to advance hatchery reform, including captive broodstocks*

NOAA Fisheries is requesting \$297,891 in Fiscal Year 2009 expense funds. The Council as part of the Fiscal Years 2007 - 2009 decision recommended funding of this project at \$1,000,000 each year. Bonneville, as reflected in the Implementation Planning Budget for the project (July 2, 2007), identified funding at \$1,000,000 in Fiscal Year 2007, \$500,000 in Fiscal Year 2008, and \$200,000 in Fiscal Year 2009. The reduction in Fiscal Year 2009 was intended to address concerns that Bonneville had regarding roles and responsibilities for funding and in-lieu issues.⁶

The goal of the project is to provide guidance on the management of Columbia River Basin hatcheries, including captive broodstocks. Research activities focus on developing methods to improve broodstock management and fish quality and reduce negative ecological interactions. The funds requested are intended to maintain the project near last year's funding level so as to maintain current studies and to guide hatchery reform and captive broodstocks in the Columbia River Basin. This information gained for these studies are critical for guidance of operations of artificial propagation facilities and understanding how current hatchery practices contribute to fitness loss. The project provides a unique capacity to understanding fitness loss by unifying behavioral,

⁶ Bonneville Implementation Planning Budget (July 2, 2007). Expense Comments: Reduction in FY 08-09 reflects concerns regarding roles and responsibilities for funding. [See footnote reference: R8 (in Lieu)].

ecological, physiological, and molecular disciplines on problems central to hatchery reform. This research is vital to the advancement of hatchery practices.

Staff Recommendation: Council staff recommends to the Council that this budget adjustment be approved to maintain the current project scope. This recommendation is conditioned that changes to the current scope of the project be directed through a future review regarding a regional approach to monitoring, evaluation, and research.

- Project 1989-096-00, *Genetic Monitoring of Snake River Chinook Salmon and Steelhead*

NOAA Fisheries is requesting \$69,075 in expense funds in Fiscal Year 2009. This request is intended to address a 15-percent reduction in the Fiscal Year 2009 planning budget for the project.

The Council as part of the Fiscal Years 2007 - 2009 decision recommended funding of this project at \$483,525 each year. Bonneville, as reflected in the Implementation Planning Budget for the project (July 2, 2007), identified funding at \$460,500 in Fiscal Year 2007, \$460,500 in Fiscal Year 2008, and \$391,425 in Fiscal Year 2009. The reduction in Fiscal Year 2009 was intended to address concerns that Bonneville had regarding monitoring and evaluation issues.⁷

This project is designed to evaluate the effects of hatchery-reared fish on natural and wild populations of spring/summer Chinook salmon and steelhead in the Snake River Basin. Through these evaluations a better understanding of genetic changes in hatchery stocks used for outplanting is gained, and the genetic impact of outplanting on targeted natural stocks and non-targeted wild stocks is quantified.

On January 6, 2009 the Council received a letter from Bonneville addressing the Fiscal Year 2009 project budgets that were originally reduced due to concerns regarding in-lieu issues. Based on their review and the expectations associated with the RM&E categorical review Bonneville restored this project to the Fiscal Year 2008 funding level of \$460,500.⁸

Staff Recommendation: The correction to this project's expense budget, as addressed in the January 6, 2008 letter, addresses the needs that this budget adjustment requested. At this time no additional action is needed.

Category 4: Lost Opportunity

- Project 1995-057-00, *S Idaho Wildlife Mitigation*

The Idaho Department of Fish and Game (IDFG) is requesting \$3,500,000 in Fiscal Year 2009 capital funds. The capital budget associated with this project was part of Bonneville's Implementation Planning Budget for the project (July 2, 2007) at

⁷ Bonneville Implementation Planning Budget (July 2, 2007). Expense Comments: See footnote reference: R11 (M&E).

⁸ This correction reflects a \$69,075 budget increase.

\$2,500,000 per year. The request is associated with securing a conservation easement on the 24,500 acre Flat Top Sheep Co. Ranch.

The ranch lies in the Little Wood River drainage of south Central Idaho, between Hailey and Carey. The Idaho Department of Fish and Game is cost-sharing with The Nature Conservancy on a conservation easement that would include wildlife habitat protection, development restrictions, and restricted recreational access. The ranch has upland, sage steppe, forested, wet meadow, and riparian habitats. The cost associated with the conservation easement is estimated at between \$8-\$9 million with the Southern Idaho Wildlife Mitigation project contributing \$5-\$6 million. The Nature Conservancy would hold the easement and contribute the remaining portion (i.e., approximately \$2 million). Bonneville supports this request conditioned on securing adequate Fiscal Year 2009 capital funds and that a mutual agreement can be reached on the habitat units that would be credited for the conservation easement.

Staff Recommendation: This acquisition is unique due to size of the parcel and the quality of the wildlife habitat that it contains. Large tracts of land, such as this, are becoming more difficult to secure and protect. Wildlife habitat losses caused by the hydropower system currently are under-mitigated in Southern Idaho (Table 1). Through the acquisition of the ranch a substantial number of habitat units will be secured. The Council staff recommends that the Council support the acquisition with the understanding that it is dependant on Bonneville and IDFG reaching an agreement on the habitat units that would be credited, and that adequate capital funds are available.

Table 1: Summary of current status of wildlife habitat units to mitigate for hydroelectric losses in Southern Idaho.

Dam	Habitat Units Lost	Mitigation to date	Remaining Habitat Units
Anderson Ranch	9,619	2,415	7,204
Black Canyon	2,170	57	2,113
Palisades	37,066	15,590	21,476
Minidoka	10,503	2,059	8,444

Category 5: Other

- Project 2008-007-00, *UCUT M&E Program*

The Upper Columbia United Tribes (UCUT) organization is requesting \$68,469 in Fiscal year 2009 expense funds to continue the implementation associated with the Albeni Falls Wildlife M&E plan for data collection and site selection on wildlife lands acquired by the five UCUT member tribes. In Fiscal Year 2008 this project was funded through a 5-percent contribution by the five UCUT tribes and is modified from the ISRP-reviewed and accepted Albeni Falls Wildlife Mitigation M&E Plan. It was modified to allow for all five tribes and their related habitat cover types to be included in the plan, allowing it to be fully designed and initiated.

For Fiscal Year 2009 the UCUT tribes request additional funds for the Wildlife M&E project to implement full project function including hiring a field data collection crew

and to provide oversight. These funds are needed to determine reference sites, permanent sample sites and to collect, manage, and disseminate data for lands secured by the five UCUT member tribes for wildlife mitigation. The data collected and information obtained will aid wildlife land managers in the development and implementation phases of wildlife management plans as well as satisfy past ISRP reviews and recommendations. The five UCUT tribes are currently contributing 5 percent from their 2009 wildlife contracts to support this project, but need an additional \$68,469 to fully implement the plan.

Staff Recommendation: Long-term operations and maintenance of the protected sites with ongoing monitoring and evaluation will ensure the protection of habitat quality and targeted species life history requirements that address the mitigation associated with the lands that have been acquired through the Albeni Falls, Grand Coulee, and Chief Josef Dams' wildlife mitigation programs. The UCUT member tribes took the initiative to develop this M&E approach that seems to have been an effective and efficient approach. Currently the approach is part of the ongoing wildlife category review. Based on this the Council staff recommends that this request be approved by the Council. This recommendation is conditioned on the understanding that this budget adjustment is for only Fiscal Year 2009 and that out-years are dependant on a future process (e.g., wildlife category review).

Attachment 1: Within-year project funding adjustments received as part of the first quarter of Fiscal Year 2009.

Category	Project #	Project Title	Sponsor	FY 2009 Budget (BPA)	Request 2009	Status
3a						
	2007-251-00	UPA Project - Methow Valley Irrigation District East Diversion Dam Replacement	Methow Salmon Recovery Foundation	\$23,840	\$216,000	Approve @ \$216,000
3b1						
	2000-036-00	Protect & Restore Mill Creek	NPT	\$300,000	\$ 0, scope	Approve scope
3b2						
	1982-013-04	Coded Wire Tag - WDFW	WDFW	\$271,266	\$44,636	Addressed January 6, 2009
	1987-127-00	Smolt Monitoring By Non-Federal	PSMFC ⁹	\$2,240,808	\$124,968	Approve @ \$118,544
	1993-056-00	Research to advance hatchery reform, including captive broodstocks	NOAA Fisheries	\$200,000	\$297,891	Approve @ \$297,891
	1989-096-00	Genetic Monitoring of Snake River Chinook Salmon and Steelhead	NOAA Fisheries	\$391,425	\$69,075	Addressed January 6, 2009
4						
	1995-057-00	S Idaho Wildlife Mitigation	IDFG	\$2,500,000 (capital)	\$3,500,000 (capital)	Approve @ \$3,500,000
5						
	2008-007-00	UCUT M&E Program	Upper Columbia United Tribes	\$0	\$68,469	Approve @ \$68,469
	2007-170-00	South Fork Snake River Yellowstone cutthroat trout recruitment and survival improvement	IDFG	\$255,000	\$ 0	BOG Denied

⁹ This request had been raised to the BOG Management Group for a January decision, but was found not to warrant any urgent treatment and therefore will remain as part of this quarterly review.

Attachment 2: Letter received in January 2009 from Bonneville regarding within-year budget adjustments associated with the Quarterly Review.



Department of Energy

Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

ENVIRONMENT, FISH AND WILDLIFE

January 29, 2009

In reply refer to: KEW-4

Mr. Tony Grover
Fish and Wildlife Division Director
Northwest Power and Conservation Council
851 SW Sixth Avenue, Suite 1100
Portland, OR 97204-1348

Dear Mr. Grover:

In accordance with the Budget Oversight Group (BOG) process, the BOG conducted the first quarter review of within-year budget and/or scope modification requests for Fiscal Year 09 [submissions reviewed by BOG in October, November and December]. These requests were presented at the January Fish and Wildlife Committee Meeting, and a 14-day public comment period was opened. As a result of the BOG review, consideration of any comments, and Council recommendations, the Bonneville Power Administration (BPA) has arrived at the following draft decisions.

Project Funding Requests

Category 3a

Project Number: 2007-251-00

Project Name: UPA Project - Methow Valley Irrigation District East Diversion Dam Replacement

Contractor: Methow Salmon Recovery Foundation

BPA-COTR: Cecilia Brown

Budget Year/Amount Requested: 2009 / \$216,000

Funding Type: Expense

Does this project support the BiOp?: Yes

Sponsor's explanation of need: The Methow Valley Irrigation District East Diversion Dam Replacement project is requesting additional funds to implement an improved project scope and design. The two primary objectives of this project are: (1) to construct a stable irrigation

diversion that will eliminate the need for MVID irrigators to maintain the irrigation diversion by operating heavy equipment in flowing water and; (2) to modify the fish return so that it functions 100% of the time (currently functions 95% of the time). The original BOR design contained a large wasteway and large amounts of riprap and failed to address the second objective.

BOR convened a multi-agency Value Engineering study in October 2008 to develop alternate proposals. The VE group developed the following modified proposal: (1) Extend the existing wing dam upstream by approximately 250 feet to capture flows from the thalweg; (2) install a pipe in the open wing dam channel and backfill it to allow the irrigator to perform maintenance from the river bank; (3) lower the floor of the inlet channel in front of the headgates to create a sediment catchment before it enters the irrigation canal; (4) install a culvert in the wasteway to sluice accumulated sediment from the sump; (5) replace existing 50-year-old head gates; (6) construct a rock grade control structure at the upstream end of the wing dam for upstream erosion control and downstream scour; and (7) modify the existing fish return to function at 100% of operational flows.

The project scope as originally anticipated would not meet project objectives or agency regulatory requirements for protecting listed fish from entrainment. Deferral of construction would result in higher costs and ongoing disturbance of the riverbed.

BPA Recommendation: The Value Engineering (VE) was done at BPA request. BPA supports the redefined actions to address both the sponsor's and BPA's concerns that arose from the results of the VE review (and articulated in the BOG request). The requested increase of \$216,000 to implement the irrigation diversion alterations is in the program's best interests to fully complete this project as proposed. This project is in high priority population areas through which winter run Chinook, spring Chinook, bull trout and steelhead migrate. The \$216,000 represents BPA's portion of cost share at about 50% of the total increase required to complete the improved design. The remainder is expected to be funded by Salmon Recovery Funds (SRF).

Category 3b1

Project Number: 2000-036-00

Project Name: Protect & Restore Mill Creek

Contractor: Nez Perce Tribe (NPT)

BPA-COTR: David Kaplowe

Budget Year/Amount Requested: 2009 / \$0 (scope change)

Funding Type: Expense

Does this project support the BiOp?: Yes

Sponsor's explanation of need: The Protect & Restore Mill Creek project is requesting a change in scope. Due to a series of catastrophic landslides that occurred in May of 2008, a significant stretch of Mill Creek was buried in debris, and the channel was pushed against an adjacent road. In order to remove the debris from the floodplain and channel and to place the channel back in its natural location, a few specific work elements will be required in the 2009 contract statement of work: floodplain enhancement, stream channel realignment and in-stream habitat complexity restoration. No additional funds are being requested, and the geographic area has not changed. The request is only to add these specific floodplain and stream channel restoration work elements to address the problems caused by the landslides.

BPA Recommendation: As discussed at the November BOG meeting, the revised work elements are consistent with the original scope and intent of the proposal; therefore, BPA does not feel that this is a change of scope. The issue will be addressed through BPA's contracting process.

Category 3b2

Project Number: 1982-013-04

Project Name: Coded Wire Tag - WDFW

Contractor: Washington Department of Fish & Wildlife (WDFW)

BPA-COTR: Jamie Swan

Budget Year/Amount Requested: 2009 / \$44,636

Funding Type: Expense

Does this project support the BiOp?: Yes

Sponsor's explanation of need: The Coded Wire Tag (WDFW) project is requesting additional funds to cover the increase cost of purchasing CWT supplies. The FY09 budget was decreased based on BPA's in lieu decision. Due to decreased funding in FY09 WDFW had to decrease their tagging effort by 27%. Additional discussions are scheduled to take place to discuss the CWT program.

BPA Recommendation: In a letter to Northwest Power & Conservation Council from BPA dated January 6, 2009, BPA restored FY09 project expense budgets back to FY08 funding levels. As a result, this project's budget was increased from \$271,266 to \$319,137, which we believe addressed this within-year request.

Category 3b2

Project Number: 1987-127-00

Project Name: Smolt Monitoring By Non-Federal

Contractor: Fish Passage Center/PSMFC

BPA-COTR: David Roberts

Budget Year/Amount Requested: \$118,544 (reduced from \$124,968 since hardware upgrades were accomplished via contract line item transfer)

Funding Type: Expense

Does this project support the BiOp?: Yes

Sponsor's explanation of need: As discussed at the Council meeting in December, the Smolt Monitoring by Non-Federal project is requesting additional funds to purchase supplies and equipment (mainly MS-222 and PIT tags); repair screens and traps; cover agency mandated increases in personnel benefits; fund an additional needed position at Little Goose Dam and upgrade computer hardware required at four sites to facilitate a new standardized remote data entry program. Requested increases and rationale are bulletized below:

After reductions in other line items the following is a breakdown of the required increases by site for the Non-Federal component of the SMP:

Grande Ronde trap- \$25,778 - required trap repair, supplies, equipment (\$6,703); increases salaries, benefits, and overhead mandated by the state (\$10,053); and required PIT tag purchase (\$9,022).

Lewiston, Salmon River Traps – \$27,667 – required PIT tag purchase (\$27,113); increases to salaries and benefits mandated by the state (\$554).

Lower Granite - \$5,713 – supplies & equipment, MS-222 (\$4,456); increases to salaries, benefits mandated by the state (\$1,257).

Little Goose - \$28,619 (Original request of \$30,225 minus \$1606) – increases to salaries, benefits and overhead. One additional biotech is required at Little Goose to allow the daily sample to be processed within the allotted time period. The change at Little Goose is required because more fish are sampled at Little Goose than occurred in past years prior to the installation of the RSW at Lower Granite Dam, which has increased fish in the sample at Little Goose (\$28,619). Hardware upgrades are required for the new remote data entry program (\$1,606 *accomplished via contract line item transfer*).

Lower Monumental - \$3019 (Original request of \$4,625 minus \$1606) – increases to supplies and equipment (\$3,019); hardware upgrades (\$1,606 *accomplished via contract line item transfer*).

McNary - \$11,445 – increases to required supplies and equipment, mostly MS-222 (\$6,066); travel (\$572); and increases to salaries, benefits mandated by the state (\$4,807).

Rock Island - \$12,688 – required PIT tag purchase (\$10,785); and increases to salaries, benefits and overhead mandated by the state (\$1,903).

John Day - \$1606 - Hardware upgrade for new remote data entry program (*accomplished via contract line item transfer*).

Bonneville - \$1606 - Hardware upgrade for new remote data entry program (*accomplished via contract line item transfer*).

USFWS/PSMFC - \$3615 – additional administrative support.

BPA Recommendation: The request addresses the need for additional personnel to conduct smolt sampling to collect daily passage data on movement of salmonid smolts out of the major drainages and past dams on the Snake and Columbia rivers, and for additional/replenished supplies and computer upgrades. Therefore, BPA supports the work requested.

BPA has addressed hardware upgrades for \$6,424 (\$1,606 for 4 subcontractors) with a no cost budget line-item transfer within the existing approved contract amount. BPA will work with the contractor to determine to what extent the additional work/equipment for \$118,544 can be accomplished via a second contract line item transfer. However if less than \$118,544 is

available under the current contract authorization to support this request, BPA will authorize any additional funding up to \$118,544.

Category 3b2

Project Number: 1993-056-00

Project Name: Research to advance hatchery reform, including captive broodstocks

Contractor: NOAA Fisheries

BPA-COTR: Greg Baesler

Budget Year/Amount Requested: 2009 / \$297,891

Funding Type: Expense

Does this project support the BiOp?: Yes

Sponsor's explanation of need: The Research to Advance Hatchery Reform (including captive broodstocks) project is requesting additional funds to complete studies that were initiated in FY 07 and FY 08. The hatchery reform objectives described in this project cannot be met without the requested funding. The sample analyses requested in this modification were deferred when the budget was reduced from \$1.0M in FY07 to \$0.5M in FY08; the FY 09 budget is currently \$200K. Following through on the \$1.5M investment made by BPA to this point requires restoration of funding to complete sample analyses and reporting. The 2008 BiOP calls for BPA to implement Hatchery Scientific Review Group recommendations for hatchery reform throughout the Basin. This project provides empirically-based guidance on hatchery reform by solving biological uncertainties in hatchery practices that the HSRG is unable to address. Research results will be presented as recommendations for best management practices, which are a key component of the 2008 BiOP.

BPA Recommendation: BPA supports the within-year funding request of \$297,891 to complete analysis of previously obtained biological and genetic samples, analyze data, report scientific findings, and recommend best management practices (BMPs) for artificial propagation programs (including captive broodstocks) in the Columbia River Basin (RPAs 40 and 41). With restoration of funding the project will be completed within the scope of the original proposal and address critical uncertainties with artificial propagation. The project will provide recommendations for hatchery reform and captive broodstocks in the following three areas:

- 1) Maintaining adaptive genetic resources and natural patterns of reproductive success in hatcheries and captive broodstocks of Chinook salmon;
- 2) Preserving genetic resources for Redfish Lake sockeye salmon by recommending release strategies that maximize imprinting success of sockeye salmon reared in captive broodstock programs; and
- 3) Reducing fitness loss by developing salmon incubation and rearing protocols to produce hatchery-reared adults that mature at the same age as wild salmon.

These areas of research are projected to be important components of the developing strategy for research, monitoring and evaluation for hatcheries in the Columbia River Basin. More specifically this research will address the Management Questions:

- Can hatchery reform reduce the deleterious effects of artificial production on listed populations, thereby contributing to a reduction in extinction risk for affected natural populations?; and
- Can properly designed intervention programs using artificial production make a net positive contribution to recovery of listed populations?

Category 3b2

Project Number: 1989-096-00

Project Name: Genetic Monitoring of Snake River Chinook Salmon and Steelhead

Contractor: NOAA Fisheries

BPA-COTR: Wynn Avocette

Budget Year/Amount Requested: 2009 / \$69,075

Funding Type: Expense

Does this project support the BiOp?: Yes

Sponsor's explanation of need: The Genetic Monitoring of Snake River Chinook Salmon & Steelhead project is requesting additional funds to avoid delays in genotyping, analysis and reporting goals. The additional funds will allow this work on an additional 1,727 fish. Data is needed in real time to evaluate the genetic effects of different artificial propagation protocols and hatchery reforms, including, for example, transition from captive brood stock to conventional stocks in northeast Oregon. Although samples are collected consistent with the original design, the partners (tribes and states) will not get data in a timely manner until the samples can be analyzed, either in NOAA's lab or another.

BPA Recommendation: In a letter to Northwest Power & Conservation Council from BPA on January 6, 2009, BPA restored FY09 project expense budgets back to FY08 funding levels. As a result, this project's budget was increased from \$391,425 to \$460,500, which we believe addressed this within-year request.

Category 4

Project Number: 1995-057-00

Project Name: Southern Idaho Wildlife Mitigation

Contractor: Idaho Department of Fish & Game (IDFG)

BPA-COTR: Dorie Welch

Budget Year/Amount Requested: \$3,500,000

Funding Type: Capital

Does this project support the BiOp?: No

Sponsor's explanation of need: The S. Idaho Wildlife Mitigation project is requesting additional funds to acquire a conservation easement on approximately 25,000 acres outside of Hailey, Idaho. The easement is estimated to cost approximately \$8 million. IDFG's current FY09 budget is \$2.5 million. The Nature Conservancy (TNC), who is partnering with IDFG to acquire the easement, is providing approximately \$2 million in cost share towards the purchase of the easement. Therefore, IDFG is requesting an additional \$3.5 million to complete the acquisition. The easement covers shrub steppe, riparian, and wetland habitats and would partially mitigate for the wildlife habitat losses associated with Anderson Ranch, Palisades, and Minidoka dams.

BPA Recommendation: Given the size of the property, the quality of the habitat, and the landowner's past and current management practices, the 24,500 acre Flat Top easement is an excellent example of the "working landscape" concept, and its protection through a permanent conservation easement would have significant benefits for wildlife in southern Idaho. This project also includes significant cost sharing from The Nature Conservancy. BPA supports this

request. BPA's support is contingent on the successful resolution of the following crediting issue. IDFG proposes to reduce the credit associated with the project because it is an easement, not a fee title acquisition. BPA's MOA with Idaho calls for full 1:1 crediting for all habitat units on the property protected by the easement, in proportion with BPA's funding for the overall easement cost. Nothing in the HEP process, the Program, the MOA, or in our research of the conservation literature suggests any basis for a credit decrement for an easement. Instead, past precedence indicates that a permanent conservation easement fully protects the conservation values that exist on the property at the time of acquisition. BPA proposes to determine the actual HU values through a baseline HEP conducted by the Regional HEP Team as soon after the acquisition as possible, but we feel that it is vital to have upfront agreement on how the HU values, estimated or actual, will be applied to BPA's wildlife mitigation obligation and on any appropriate deductions in the amount of credit associated with the property. In addition to this crediting issue, it is possible, given the size and outstanding habitat attributes of the property, that this acquisition will fulfill much, if not the majority, of BPA's remaining southern Idaho wildlife mitigation. As we continue to have discussions with IDFG, we will need to work closely with our other partners in the region, the Shoshone-Bannock Tribes and the Shoshone-Paiute Tribes. Finally, the value of the easement was estimated to cost approximately \$8 million; however, the recent appraisal shows the value of the easement at approximately \$13 million. IDFG, TNC, and the land owner are discussing how they would like to proceed given this new information.

Category 5

Project Number: 2008-007-00

Project Name: UCUT M&E Program

Contractor: Upper Columbia United Tribes (UCUT)

BPA-COTR: Lee Watts

Budget Year/Amount Requested: 2009 /\$68,469

Funding Type: Expense

Does this project support the BiOp?: No

Sponsor's explanation of need: The UCUT M&E Program project is requesting additional funds to implement full project start up, hire the field crew and provide oversight. The objectives are to determine reference sites, permanent sample sites and collect data for lands owned by the five UCUT member tribes for wildlife mitigation. The data collected and information obtained will aid wildlife land managers in the development and implementation phases of wildlife management plans. The five Tribes of UCUT are currently contributing 5% from their 2009 wildlife contracts to support this project.

BPA Recommendation: BPA supports this request. Since this is a Pilot program, BPA understands there is additional work the first 2 years to establish baseline samples, but expects the budget levels will reduce in the future.

Summary

In summary, the total of expense funding additions supported by BPA in this letter is \$700,904, and capital funding in the amount of \$3,500,000 (pending further negotiations). We believe these projects are consistent with priorities identified during previous Council provincial reviews and/or other BPA and Council discussions.

Please feel free to contact either Greg Dondlinger at 503-230-5065 or me at 503-230-5499 for further information or if you have any questions.

Sincerely,

/s/

William C. Maslen
Director for Fish and Wildlife