



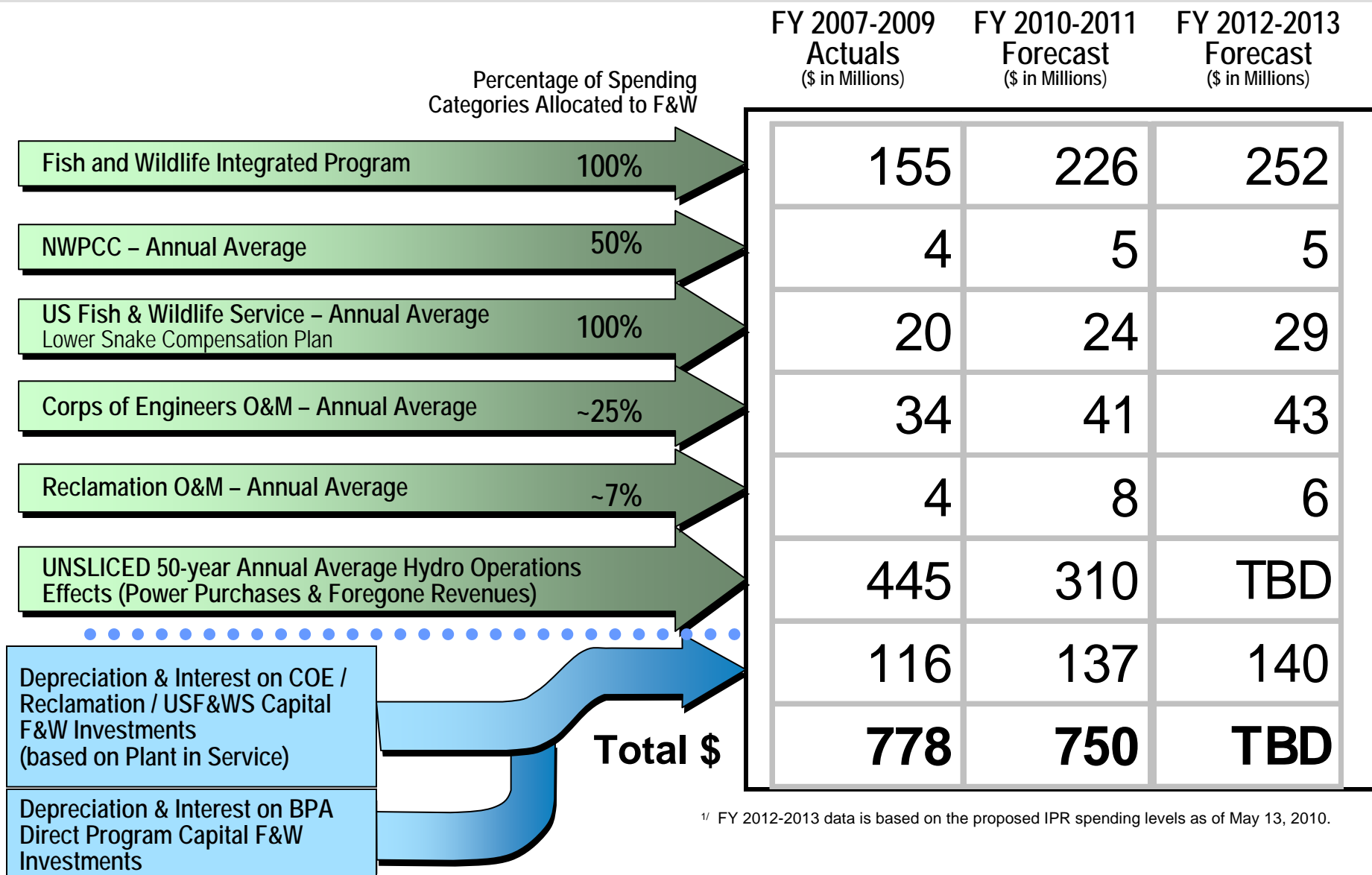
Integrated Program Review (IPR)

Fish and Wildlife Program Costs

May 20, 2010

Presented to Northwest Power & Conservation Council, June 9, 2010

Total Annual Average Cost of BPA Fish & Wildlife Actions ^{1/}



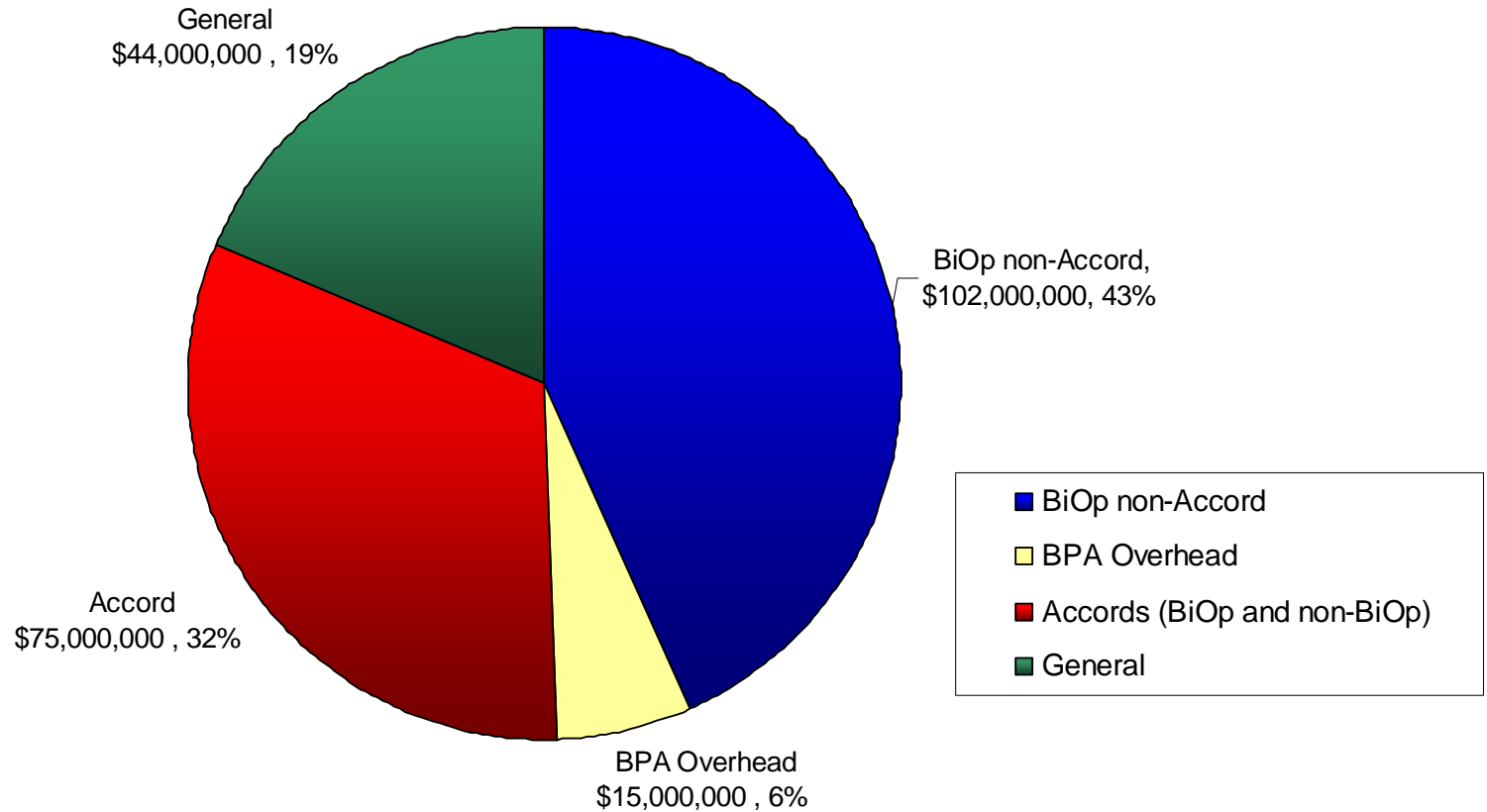
^{1/} FY 2012-2013 data is based on the proposed IPR spending levels as of May 13, 2010.

Financial Components of BPA's F&W Investments

- **Integrated program** –The Fish and Wildlife Program (aka Direct Program or Integrated Program) funds several hundred mitigation projects to meet BPA's Power Act and ESA offsite mitigation obligations.
- **Debt service** – The projected amortization, depreciation and interest payments for investments directly funded through BPA borrowing, as well as capital investments by the Corps and Reclamation funded by the U.S. Treasury and reimbursed by BPA.
- **Fish-related O&M** (“reimbursable expenses”) – The hydroelectric share of O&M and other non-capital expenditures for fish and wildlife activities by the Corps and Reclamation (i.e. O&M of fish facilities at the mainstem dams and Corps/Reclamation mitigation hatcheries), and U.S. Fish & Wildlife Service (for hatcheries under the Lower Snake River Compensation Plan – 11 hatcheries and 15 satellite facilities).
- **River operations** – The power production effects of river operations required by NOAA Fisheries and USFWS Biological Opinions.

Fish & Wildlife Program – FY 2011 Expense

FY 2011 Forecasted Fund Distributions



Fish and Wildlife Program Proposed Expense Budget

F&W Program Expense Budget	IPR	
	FY 2012	FY 2013
Base *	239,634,000	243,324,000
Kalispel Tribe MOA	960,000	960,000
Kootenai River White Sturgeon BiOp Habitat Project	6,000,000	6,000,000
AMIP RM&E	1,300,000	1,300,000
Washington Estuary MOA	500,000	500,000
Shoshone- Bannock Tribe MOA	1,700,000	1,700,000
Total Program	250,394,000	254,384,000

* Base budget developed by starting with FY 2011 budget and applying 2.5% inflation rate to Accord funds (consistent with Accord provisions), 0.9% inflation rate applied to BiOp Non-Accord funds and General funds (consistent with the treatment of inflation in the rest of the IPR).

Fish & Wildlife Program Budget Details

IPR Drivers for 2012-13:

- New habitat restoration actions are needed to fulfill RPAs within the 2006 Libby BiOp, in support of the Kootenai River White Sturgeon. These actions may include such things as dredging, restoration of channel complexity, and bank stabilization at an estimated cost of \$6M per year.
- New RM&E requirements in the AMIP are estimated to have an annual additional cost of \$1.3M. Potential additional costs for rapid response contingency actions in the AMIP (such as safety net hatchery production) are not reflected in the estimated budget, as these contingency costs will be addressed as part of BPA's broader approach for addressing risks and uncertainties in the BPA rate design process
- New costs resulting from the Shoshone-Bannock Fish Accord and the Washington Estuary MOA, of \$1.7M/yr and \$500k/yr, respectively, are reflected in the budget estimates for FY12-13 (prior to FY12, these costs are being absorbed into existing budgets, using budget flexibility resulting from under-runs in the Program ramp-up rate).
- Completing a previously negotiated Accord with the Kalispel Tribe would likely increase the Program budget by approximately \$960,000 a year.

Risk Factors:

- Accounting provisions for implementing the Accords allow for unspent dollars to be moved into future years with the limit that each entity's annual spending level not exceed 120% of it's annual base budget in any given year. Consequently, at some point in the future, Accord spending levels in excess of base budgets are a potential scenario. This situation could begin to develop in FY12-13.
- BPA direct funds (though not through the Integrated Fish and Wildlife Program) the operation and maintenance costs for: 1) Corp of Engineers operated fish passage facilities and hatcheries associated with FCRPS dams, 2) Bureau of Reclamation Leavenworth, Entiat and Winthrop National Fish Hatcheries ("Complex") to mitigate for Grand Coulee Dam and 3) USFWS-managed Lower Snake River Hatcheries which mitigate for the four Lower Snake River dams. Several of these facilities have deferred maintenance costs which will necessitate significant capital investments, and will also likely require reform to comply with FCRPS BiOp RPA 39 requirements and/or HSRG recommendations.

F&W Integrated Program Historical Spending

F&W Expense (millions)	FY07	FY08	FY09	FY10	FY11	FY12	FY13
FY07-09 Rate Case	\$143M	\$143M	\$143M	-.	-	-	-
FY10-11 IPR1	-	-	\$200M	\$230M	\$236M	-	-
FY10-11 IPR2	-	-	\$185M	\$215M	\$236M	-	-
FY12-13 IPR	-	-	-	-	\$236M	\$250M	\$254M
ACTUAL	\$139.5M	\$148.9M	\$177.9M	\$200M*	-	-	-

* Estimated value

LSRCP (millions)	FY07	FY08	FY09	FY10	FY11	FY12	FY13
FY07-09 Rate Case	\$19.5M	\$19.5M	\$20.4M	-.	-	-	-
FY10-11 IPR1	-	-	\$20.4M	\$23.6M	\$24.5M	-	-
FY10-11 IPR2	-	-	\$20.4M	\$23.6M	\$24.5M	-	-
FY12-13 IPR	-	-	-	-	\$24.5M	\$28.8M	\$29.9M
ACTUAL	\$19.3M	\$19.4M	\$20.8M	\$23.6M*	-	-	-

* Estimated value

Fish & Wildlife - Capital

Capital - Fish & Wildlife	2009 Actuals	2010 SOY	2011 WP-10 Rate Case	2011 IPR	2012 IPR	2013 IPR
F&W CAPITAL IT PROJECTS	1,450,876	-	-	-	-	-
F&W CAPITAL-HATCHERY	4,883,255	43,603,506	33,496,716	21,424,930	15,832,175	15,715,359
F&W CAPITAL-LAND	14,574,830	21,050,115	21,051,690	21,051,690	21,220,479	21,433,018
F&W CAPITAL-PASSAGE/OTHER	7,954,278	5,346,379	5,451,594	17,523,380	12,947,346	12,851,623
Total	28,863,239	70,000,000	60,000,000	60,000,000	50,000,000	50,000,000

FY 2012-13 Program Spending Drivers

- The program focuses on three primary capital components: major construction (such as hatcheries), passage improvement, and land acquisitions.
- The major driver behind the proposed FY12-13 capital budgets is the base program of land acquisitions and tributary fish passage improvements as well as major construction activities for several large capital projects, such as the Chief Joseph Hatchery, that have shifted out of FY09-10 timeframe and into the FY12-13 rate period, due to permitting, reviews and final decisions taking longer than anticipated in the IPR process leading up to the FY10-11 rate case.

Capital - Fish & Wildlife	2013 IPR	2014 IPR	2015 IPR	2016 IPR	2017 IPR
F&W CAPITAL IT PROJECTS	-	-	-	-	-
F&W CAPITAL-HATCHERY	15,715,359	15,609,145	15,501,974	15,405,818	15,284,727
F&W CAPITAL-LAND	21,433,018	21,626,283	21,821,294	21,996,278	22,216,606
F&W CAPITAL-PASSAGE/OTHER	12,851,623	12,764,572	12,676,732	12,597,904	12,498,667
Total	50,000,000	50,000,000	50,000,000	50,000,000	50,000,000

FY 2014-17 Program Spending Drivers

- The major drivers behind the proposed FY14-17 capital budgets continue to be the base program of land acquisitions, tributary fish passage improvements and major construction activities associated with hatcheries.

Environment, F&W, LSRCP – Reduction Scenario

Environment, Fish & Wildlife, Lower Snake	2012 IPR	2012 IPR Reduction Scenario	Delta	2013 IPR	2013 IPR Reduction Scenario	Delta
ENVIRONMENTAL REQUIREMENTS	302,400	302,400	-	305,424	305,424	-
FISH & WILDLIFE	250,394,000	237,384,175	13,009,824	254,384,000	241,164,523	13,219,477
LOWER SNAKE HATCHERIES	28,800,000	27,360,000	1,440,000	29,900,000	28,405,000	1,495,000
Total	279,496,400	265,046,575	14,449,824	284,589,424	269,874,947	14,714,477

FY 2012-13 Impacts to F&W Resulting from Reduction Scenario:

- FY 2012 – The total reduction for F&W would be \$13 million.
- FY 2013 – The total reduction for F&W would be \$13.2 million.

Fish and Wildlife Program

- The proposed FY 2012-13 Fish and Wildlife Program reflects the estimated costs of meeting BPA's commitments in various BiOps as well as the Fish Accords, while sustaining the current program level for the non-BiOp/non-Accord portion of the Program.
- The 5% reduction scenario for the FY 2012-13 Fish and Wildlife Program reflects an assumption that the ramp-up of the Program to meet BPA's new BiOp and Accord obligations will continue with expenditures increasing at a slower rate than originally expected, as was the case in FY 2009, and may be continuing into FY 2010.
- Notwithstanding this scenario, approximately 80% of the proposed program level reflects the estimated cost of meeting BiOp/Accord commitments, and so for rate-setting purposes, even if this scenario was selected as the appropriate program level, BPA would still be obligated to manage the Program to meet its full commitments.

Environment, F&W, LSRCP – Reduction Scenario

Fish and Wildlife Program (continued)

- The risk of the 5% reduction scenario is that if the Program spending rate accelerates to a level commensurate with BPA's expectations prior to FY 2012, then by FY 2012, total actual spending would likely exceed the proposed program level in this scenario (i.e. actual spending to meet obligations would exceed the proposed rate case amount). While a continuation of slower than expected Program spending is plausible, FY 2012 is three years after the initiation of the Accords and the 2008 FCRPS BiOp, and it is therefore far less likely that the slower spending rate (relative to the original projection) will persist beyond the initial years of these new commitments.
- Compounding this risk is that the accounting provisions for implementing the Accords allow for unspent dollars to be moved into future years, with the limitation that each signing entity's annual spending level shall not exceed 120% of their annual base budget in any given year. Consequently, at some point in the future, Accord spending levels in excess of base program levels are a potential scenario. It is not altogether unrealistic that this situation could begin to develop in FY 2012-13.

Environment, F&W, LSRCP – Reduction Scenario

Program Line Item	Description of Reduction	\$ Amount of Reduction	Impact of Reduction	Risk
F&W Program	Assumes the ramp-up of the Program to meet BPA's new BiOp and Accord obligations will continue with expenditures increasing at a slower rate than originally expected.	\$13.1 million per year	If the Program spending rate accelerates to a level commensurate with BPA's expectations prior to FY 2012, then by FY 2012, total actual spending would likely exceed the proposed program level in this scenario (i.e. actual spending to meet obligations would exceed the proposed rate case amount).	Medium
Lower Snake Hatcheries	The 5% reduction scenario for the Lower Snake Hatcheries reduces the \$2.2 million/year program level for non-recurring maintenance by an average of about \$1.45 million/year. This reduction would add to the existing backlog of non-recurring maintenance.	\$1.45 million per year	The risk associated with a reduction of this magnitude - for a backlog that already has an estimated cost moderately in excess of the non-recurring maintenance line-item in the proposed program level - is that further facility deterioration will occur, and the cost of the future backlog will be higher than the money saved with this reduction.	High