



Department of Energy

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

Environment, Fish and Wildlife

March 30, 2006

In reply refer to: KEW-4

Northwest Power and Conservation Council
Ms. Rhonda Whiting, Chair
Fish and Wildlife Committee
851 S.W. Sixth Avenue, Suite 1100
Portland, OR 97204-1348

Dear Ms. Whiting:

Bonneville Power Administration (BPA) has completed a preliminary review of project proposals that the Northwest Power and Conservation Council (Council), BPA, and Columbia Basin Fish and Wildlife Authority (CBFWA) staff identified as potentially having capital components. We are pleased to provide with this letter our initial capital/expense determinations (**Tables 1 and 2**). Of necessity, these tables are a preliminary work-product that reflect an evaluation of information currently available in the existing proposals; some uncertainties remain because of incomplete information. BPA will continue to refine its evaluations as more details about individual projects become available. We acknowledge the complexity inherent in BPA's capital policy, and remain committed to addressing those uncertainties and the issues that need to be resolved in order for BPA to make final capital and expense determinations.

As you know, BPA continues to have some reservations about identifying which project proposals could qualify for capital funds ahead of the actual selection of projects for implementation. This reservation is simply a matter of wanting to first address the priority of the projects relative to the most critical factors limiting the productivity and abundance of fish and wildlife, independent of potential funding category. We understand the Council's interest in knowing which projects can be capitalized as a precursor to developing the capital and expense components of the FY 07-09 planning budget, but also wish to reinforce our common interest of evaluating all proposals with the same rigor.

We are concerned that assigning proposals to funding sources at the outset of project review could lead to expectations about future funding recommendations for projects that can be capitalized, but that may provide fewer fish and wildlife benefits and are of lower value relative to other proposals under review. And as you are aware, we also need to ensure that we have fully considered the impact of operation and management expenses (O&M) associated with the choice of capital projects in the near-term, to avoid the potential of foreclosing the implementation of important habitat projects and other high-

priority Program initiatives in the out-years. Review and prioritization of proposals based on a common set of performance expectations and programmatic objectives will help ensure that the choices we make on project funding, whether capital or expense represent the best value for dollar spent in the long-term.

We examined the 37 proposals identified for further review to assist the Council's development of a planning budget for the Program. We found that 20 could potentially be capitalized. Our final determination is dependent on additional information that will become available through the proposal review and selection processes, and subsequent BPA contracting. To make a final capital determination, we must confirm that recommended projects meet the \$1 million threshold and other capital policy requirements.¹ As we work with the Council to finalize these capital and expense determinations, we are developing the appropriate documentation to explain how each project meets the capital criteria, and that can be applied uniformly to future consideration of capital expenditures. With this approach, we hope to make capital spending decisions more transparent, consistent, and predictable for Program participants in this and future years.

If you have any comments or questions about these issues, or BPA's preliminary capital determinations, please let me know.

Sincerely,



William C. Maslen
Director of Fish and Wildlife

2 Enclosures

Table 1. Results of BPA's Initial Capital/Expense Review

Table 2. Results of BPA's Initial Capital/Expense Review

cc:

Mr. Doug Marker, Northwest Power and Conservation Council (electronic)
 Mr. Mark Fritsch, Northwest Power and Conservation Council (electronic)
 Ms. Patty O'Toole, Northwest Power and Conservation Council (electronic)
 Ms. Stacy Horton, Northwest Power and Conservation Council (electronic)
 Mr. Tony Grover, Northwest Power and Conservation Council (electronic)
 Mr. Kerry Berg, Northwest Power and Conservation Council (electronic)
 Mr. Karl Weist, Northwest Power and Conservation Council (electronic)
 Ms. Joann Hunt, Northwest Power and Conservation Council (electronic)
 Mr. Brian Lipscomb, Columbia Basin Fish and Wildlife Authority (electronic)
 Ms. Amy Langston, Columbia Basin Fish and Wildlife Authority (electronic)
 Mr. Tom Iverson, Columbia Basin Fish and Wildlife Authority (electronic)

¹ For more information, see BPA's capital policy at:
http://www.efw.bpa.gov/Integrated_Fish_and_Wildlife_Program/FW%20Capitalization%20Policy%202011-4-04.pdf

Table 1. Results of BPA's Initial Capital/Expense Review: Capital Projects (subject to final review)

Proposal Number	Title	Sponsor	Province	Subbasin	Type	Preliminary Capital Expense Category	Initial BPA (Finance) Capital/Expense Determination (Subject to final review)	Primary Uncertainty for Capitalization
198805301	Grande Ronde/Imnaha Endemic Spring Chinook Supplementation – Northeast Oregon Hatchery	Nez Perce Tribe	Blue Mountain	Grande Ronde	Anadromous	Both	Capitalize land acquisition and construction	
199004401	Lake Creek Land Acquisition	Coeur D'Alene Tribe	Intermountain	Coeur d'Alene	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements ^b
199106200	Spokane Tribe Wildlife Mitigation	Spokane Tribe	Intermountain	Spokane	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements ^b
199206100	Albeni Falls Wildlife Mitigation	Albeni Falls Interagency Work Group	Intermountain	Pend Oreille	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements ^b
199206800	Willamette Basin Mitigation	Oregon Department of Fish & Wildlife (ODFW)	Lower Columbia	Willamette	Wildlife	Both	Capitalize land acquisition and permanent easements	Land acquisition requirements ^b
199505702	Southern Idaho Wildlife Mitigation	Shoshone-Bannock Tribes	Upper Snake	Snake Upper	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements ^b
199505703	Southern Idaho Wildlife Mitigation	Shoshone Paiute Tribes	Middle Snake	Owyhee	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements ^b

Proposal Number	Title	Sponsor	Province	Subbasin	Type	Preliminary Capital Expense Category	Initial BPA (Finance) Capital/Expense Determination (Subject to final review)	Primary Uncertainty for Capitalization
200200300	Secure & Restore Resident Fish Habitat	Salish & Kootenai Confederated Tribes	Mountain Columbia	Flathead	Resident	Both	Capitalize acquisition and permanent easement	Land acquisition requirements ^b
200300100	Manastash Crk Passage & Screening	Kittitas County Conservation District	Columbia Plateau	Yakima	Anadromous	Both	Capitalize construction (good functionality interdependent example)	Parts appear functionally interdependent ^a
200302300	Chief Joseph Hatchery Program	Colville Confederated Tribes	Columbia Cascade	Okanogan	Anadromous	Both	Capitalize land acquisition and construction	
200702700	Colville Confederated Tribes Acquisition Project	Colville Confederated Tribes	Intermountain	Columbia Upper	Wildlife	Both	Capitalize land acquisition - medium certainty	Land acquisition requirements ^b
200707000	Fish Passage Facility Final Design and Construction - Clear Lake Dam (NF Tieton R.).	Washington Department of Fish and Wildlife (WDFW)	Columbia Plateau	Yakima	Resident	Capital	Capitalize construction - (FS/BPA MOU)	Shared responsibility with USFS
200708400	Shrubsteppe Habitat Acquisition	Washington	Columbia	Columbia	Wildlife	Both	Capitalize land	Land acquisition requirements ^b

Proposal Number	Title	Sponsor	Province	Subbasin	Type	Preliminary Capital Expense Category	Initial BPA (Finance) Capital/Expense Determination (Subject to final review)	Primary Uncertainty for Capitalization
	for Terrestrial Species in Need of Conservation in the Upper Mid-Columbia Subbasin.	Department of Fish and Wildlife (WDFW)	Cascade	Upper Middle			acquisition - medium certainty	
200715300	Cardwell Hills Wildlife Mitigation and regional Biodiversity Protection Project	David Evans and Associates, Inc.	Lower Columbia	Willamette	Wildlife	Both	Capitalize land acquisition - medium certainty	Land acquisition requirements ^b
200721200	Develop a locally-adapted summer steelhead program to supplement natural production throughout the Okanogan River basin	Colville Confederated Tribes	Columbia Cascade	Okanogan	Anadromous	Both	Capitalize hatchery upgrade	\$1Million Threshold
200723200	Okanogan-Similkameen Habitat Protection Project - Fish and wildlife habitat protection through fee simple and conservation easement purchases.	Washington Department of Fish and Wildlife (WDFW)	Columbia Cascade	Okanogan	Wildlife	Both	Capitalize land acquisition	Functionally interdependent ^a
200726000	Acquisition of a Conservation Easement over 1084 acres of	Nature Conservancy	Lower Columbia	Willamette	Wildlife	Both	Capitalize permanent easement	Land acquisition requirements ^b

Proposal Number	Title	Sponsor	Province	Subbasin	Type	Preliminary Capital Expense Category	Initial BPA (Finance) Capital/Expense Determination (Subject to final review)	Primary Uncertainty for Capitalization
	Upland Prairie and Oak Habitat, Willamette Subbasin							
200727100	Willamette Basin Capitalized Wildlife Land Acquisitions	The Confederated Tribes of Grand Ronde	Lower Columbia	Willamette	Wildlife	Both	Capitalize land acquisition	Land acquisition requirements ^b
200727600	Idaho Department of Fish and Game Rearing Expansion for Snake River Sockeye Salmon	Idaho Department of Fish & Game	Mountain Snake	Salmon	Anadromous	Both	Capitalize hatchery purchase and remodel	None
200731600	McKenzie Canyon Irrigation Project	Deschutes River Conservancy	Columbia Plateau	Deschutes	Anadromous	Both	Capitalize pipeline installation	None

For more information, see BPA's capital policy at:

[http://www.efw.bpa.gov/Integrated Fish and Wildlife Program/FW%20Capitalization%20Policy%2011-4-04.pdf](http://www.efw.bpa.gov/Integrated_Fish_and_Wildlife_Program/FW%20Capitalization%20Policy%2011-4-04.pdf)

(a) **Functional Interdependence** – Project (>\$1million) can be capitalized if the components (<\$1million each) are so closely connected that each could not function independently.

(b) **Land Acquisition Requirements** – Land purchases may be capitalized if the project meets several requirements related to the purpose and timing of the acquisition and the location and ownership of the land.

Table 2. Results of BPA's Initial Capital/Expense Review: Expense Projects (subject to final review)

Propo sal Num ber	Title	Sponsor	Provin ce	Subba sin	Type	Prelim inary Capita l Expens e Categ ory	Initial BPA (Finance) Capital/Expens e Determination (Subject to final review)
1993 0660 0	Oregon Fish Screens Project	Oregon Department of Fish & Wildlife (ODFW)	Colum bia Plateau	John Day	Anadr omous	Capit al	Expense - fish screens not functionally interdependent
1994 0150 0	Idaho Fish Screening and Passage Improvements	Idaho Department of Fish & Game	Mount ain Snake	Salmo n	Anadr omous	Capit al	Expense - fish screens not functionally interdependent
1996 0110 0	Walla Walla Juvenile and Adult Passage Improvements	Confederated Tribes of the Umatilla Indian Reservation	Colum bia Plateau	Walla Walla	Anadr omous	Both	Expense tentative - still under review at this time (functional interdependence issues)
1996 0400 0	Mid-Columbia Coho Restoration Project	Yakama Confederated Tribes	Colum bia Casca de	Wenat chee	Anadr omous	Both	Expense until completion of Step 3
1996 0420 0	Restore and Enhance Anadromous Fish Populations and Habitat in Salmon Creek	Colville Confederated Tribes	Colum bia Casca de	Okano gan	Anadr omous	Both	Expense - not > 15 year life
1998 0170 0	North Fork/Mid- John Day Fish Passage Improvement	Monument & Wheeler SWCDs	Colum bia Plateau	John Day	Anadr omous	Both	Expense - Not functionally interdependent

Propo sal Num ber	Title	Sponsor	Provin ce	Subba sin	Type	Prelim inary Capita l Expense Catego ry	Initial BPA (Finance) Capital/Expens e Determination (Subject to final review)
1998 0180 0	John Day Watershed Restoration	Confederated Tribes of Warm Springs Reservation of Oregon	Colum bia Platea u	John Day	Anadr omou s	Capit al	Expense - small independent projects not capital
1998 0210 0	Hood River Fish Habitat	Confederated Tribes of Warm Springs Reservation of Oregon	Colum bia Gorge	Hood	Anadr omou s	Both	Expense - small independent projects not capital
1999 0190 0	Restore Salmon River (Challis, Idaho)	Custer County Soil & Water Conservation District (SWCD)	Mount ain Snake	Salmo n	Anadr omou s	Both	Expense -No anadromous fish crediting to meet requirements
2001 0330 0	Hangman Restoration Project	Coeur D'Alene Tribe	Interm ountai n	Spoka ne	Resid ent	Both	Expense -No resident fish crediting to meet requirements
2002 0250 1	Yakima Tributary Access & Habitat Program	South Central Washington Resource Conservation and Development	Colum bia Platea u	Yakim a	Anadr omou s	Both	Expense - small independent projects not capital
2002 0450 0	Coeur D'Alene Fish Habitat Acq	Coeur D'Alene Tribe	Interm ountai n	Coeur d'Alen e	Resid ent	Both	Expense -No resident fish crediting to meet requirements
2006 0010 0	Mcintyre Dam Feasibility Study	Colville Confederated Tribes	Colum bia Casca de	Okano gan	Anadr omou s	Both	Expense - Planning costs<\$1M, Construction costs could be capitalized if

Propo sal Num ber	Title	Sponsor	Provin ce	Subba sin	Type	Prelim inary Capita l Expen se Categ ory	Initial BPA (Finance) Capital/Expens e Determination (Subject to final review)
							>\$1M
2007 0570 0	Potlatch River Basin Conservation Easement	Potlatch Corporation	Mount ain Snake	Clear water	Anadr omou s	Both	Expense -No anadromous fish crediting to meet requirements
2007 0850 0	UPA Nason Creek Oxbow Reconnection Project	Chelan County Natural Resources Department	Colum bia Casca de	Wenat chee	Anadr omou s	Both	Expense - not construction
2007 1700 0	South Fork Snake River Yellowstone cutthroat trout recruitment and survival improvement	Idaho Department of Fish & Game	Upper Snake	Snake Headw aters	Resid ent	Both	Expense - fish screens not functionally interdependent
2007 2680 0	Idaho Watershed Habitat Restoration Project via Custer Soil and Water Conservation District	Custer County Soil & Water Conservation District (SWCD)	Mount ain Snake	Salmo n	Anadr omou s	Both	Expense - small independent projects not capital