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DRAFT

January 23, 2004

The Honorable Dirk Kempthorne, Governor of Idaho
The Honorable Theodore R. Kulongoski, Governor of Oregon
The Honorable Judy Martz, Governor of Montana
The Honorable Gary Locke, Governor of Washington

Dear Governors:

In June 2003, you issued a series of consensus policy recommendations for protection and restoration of fish in the Columbia River Basin and the future role of the Bonneville Power Administration. These followed on fish recovery recommendations you issued in July 2000.

Your 2003 recommendations included specific tasks for the Power and Conservation Council regarding fish recovery and Bonneville's future role. The purpose of this letter is to apprise you of our progress in responding to your recommendations.

Recommendation:

Bonneville, in consultation with the Council should undertake a process to establish financial priorities within its own operations and focus its resources on those areas that are most critical to its mission and bring the greatest benefit to the Pacific Northwest. The process should include participation and review by independent experts.

Action:

In August of 2003, the Council invited Bonneville's Chief Operating Officer, Ruth Bennett, to consult with the Council on how Bonneville intended to respond to the Governor's recommendation. Ms. Bennett said Bonneville is intent on making a culture change in which "being frugal becomes a way of life." She described efforts within the agency aimed at: cost control and management; implementing the lessons learned report; increasing efficiency; managing risk; benchmarking; and addressing external review requests Congress has made to the GAO and the Secretary of Energy. She noted that Bonneville had engaged a consultant to help the agency with internal priority-setting.

Bonneville has been very clear that it views issues like priority setting, cost cutting and so on to be internal Bonneville management issues. Subsequent to that meeting Bonneville did not consult with the Council on this recommendation. Bonneville is indicating that the Council will be offered the opportunity to review and comment on the Bonneville proposals related to internally defined strategic objectives. The offer of a Council "consultation process" prior to a general regional review has, however, not yet been effected.

Recommendation:

Bonneville and the Council should renew the regional dialogue on the future role of Bonneville in power supply.

Action:

The Council has been working aggressively to implement this recommendation. In the late summer of 2003, the Council organized with Bonneville a series of consultations with key representatives of the utilities, both public and private, environmental and public interest groups and state regulators. These consultations indicated that while there may be disagreement about the details and the timing of changes in Bonneville's role, there was broad support behind the idea of limiting Bonneville's role in the supply new resources to the region. There is also support for objectives of long-term (20-year) contracts, but there are considerable misgivings about entering into such contracts with the risks that might entail for customers absent mechanisms for greater oversight of Bonneville's costs and business practices.

Subsequent to these consultations, the Council prepared an issue paper on the future role of Bonneville in which the history of Bonneville's role in power supply over the past several years was reviewed as well as the recommendations of various public processes, such as the Governors' Comprehensive Review of the Northwest Energy System. The paper went on to propose a set of principles for Bonneville's future role.¹ The Council took public comment on this paper at its December 2003 meeting.

The Council asked Bonneville and the customers to resume meeting on Bonneville's future role and to provide the Council with progress reports at its monthly meetings. Thus far there have been two such reports. Progress in terms of resolving some of the outstanding issues has been slow. Part of this is attributable to the uncertainty surrounding the settlement of the benefits for the residential and small farm customers for the remainder of the current contract period. The Council is of the view that regardless of what happens to the settlement, it is essential to push on with the regional dialogue on the future role of Bonneville. The Council is exploring options for moving the process forward, including engaging a professional facilitation team to help the parties reach agreement on the most difficult issues. The Council is targeting April for a set of recommendations to Bonneville.

Recommendation:

Biological opinions, required by the Endangered Species Act, should look to subbasin plans developed through the Council's Columbia River Basin Fish and Wildlife Program to guide habitat, hatchery and harvest actions in Columbia tributary watersheds.

Action:

NOAA Fisheries and the U.S. Fish and Wildlife Service regularly review the progress and scope of subbasin plans in a forum of fish and wildlife managers convened by the Council and known as the Regional Coordinating Group. The two agencies repeatedly have affirmed their reliance on subbasin plans as key elements of recovery planning.

Specific expectations and questions for policy discussion are raised first within each state's subbasin coordination group and then as needed in the Regional Coordinating Group. This structure of communication is effective and can be monitored through representatives of the Governors and Council members.

We are making good progress on subbasin planning and are on schedule to complete the plans by the May 28, 2004, deadline.

¹ *The Future Role of the Bonneville Power Administration in Power Supply*, October 28, 2003 Council document 2003-18

Recommendation:

The federal action agencies should fully implement the Council's fish and wildlife program, including the 2003 mainstem amendments, as soon as is practicable. The Council and Bonneville, in consultation with the Governors and the other federal agencies, should develop a new funding agreement to provide more predictability and certainty for fish and wildlife spending over the next few years. This agreement should be in place for the next fiscal year beginning in October 2003.

Action:

We are working with the Army Corps of Engineers, Bonneville and NOAA Fisheries to implement the alternative river and dam operations, including reduced summer spills at dams on the lower Columbia River, that we recommended last summer in the mainstem amendments to the fish and wildlife program. Although we recommended numerous alternative dam operations, at this time we are focusing on summer spill and alternative operations at Hungry Horse and Libby dams in Montana because those require the most attention from the Council to ensure their timely implementation. We also are working with the federal agencies to evaluate removable spillway weirs at Ice Harbor Dam.

Regarding project funding, we worked with Bonneville to develop short-term protocols for project funding that addressed the agency's immediate financial crisis. These protocols were confirmed by Bonneville Administrator Steve Wright in October, consistent with your recommended timeline for such an agreement. We then turned our attention to longer-term funding protocols, which we are developing in consultation with Bonneville for the 2006-2011 rate period. We are also working with Bonneville to develop protocols for long-term funding of capital projects.

Recommendation:

State guidelines for salmon recovery plans should be endorsed by NOAA Fisheries and the U.S. Fish and Wildlife Service. The two agencies should identify contact persons in each state for this purpose.

Action:

Guidelines for recovery plans based in whole, or in part, on subbasin plans need to be proposed by states and confirmed by NOAA Fisheries. NOAA Fisheries has designated staff to work with state organizations. Last year NOAA Fisheries created a new position of assistant regional administrator for recovery planning to work directly with each state and the Council, and also represent NOAA Fisheries at the Regional Coordinating Group. We are pleased by this direct coordination and responsiveness.

Recommendation:

NOAA Fisheries' Technical Recovery Team (TRT) process and products must be coordinated with the Council's subbasin planning and regional processes.

Action:

NOAA Fisheries will provide interim rebuilding targets for ESA-listed species in the interior Columbia Basin for use by subbasin planners. The Council expects these to be delivered in early 2004. In the Willamette/Lower Columbia region, targets are available and recovery goals are being developed in coordination with the states.

Meanwhile, project performance metrics have been developed through the Pacific Coastal Salmon Recovery Fund process. We are reviewing these metrics for possible use in reviewing projects funded by Bonneville through our fish and wildlife program.

The Council also is working to broaden the scope and improve the coordination of fish and wildlife data management. Through a memorandum of agreement with NOAA Fisheries, a process is being developed for regional data coordination and management. The Council is coordinating this work at the state and tribal level. The goal is to create a comprehensive system that incorporates information about all West Coast salmon stocks.

Recommendation:

NOAA Fisheries and the U.S. Fish and Wildlife Service should resolve with the Council and appropriate state organizations what legal assurances will be provided for approved subbasin plans and necessary procedural or review requirements by December 21, 2003.

Action:

NOAA Fisheries staff, working with the appropriate state legal authorities, are drafting approaches to possible incentives and regulatory assurances and reporting progress at the monthly Regional Coordinating Group meetings.

Recommendation:

By fall, the Council should convene state, federal and tribal managers to integrate a monitoring system for fish and wildlife project implementation. The Council, with the same partners, should complete a draft systemwide research plan by December 31, 2003, including an equitable plan for funding.

Action:

The Council's staff completed a draft research plan in December and will submit it to fish and wildlife agencies and Indian tribes for review and comment. The Council convened regional independent scientific and economic reviewers for guidance on a regional research plan and organized measures of the 2003 mainstem amendments to the fish and wildlife program for inclusion.

Meanwhile, a draft integrated monitoring plan has been developed by NOAA Fisheries, and the Council is coordinating review by states and tribes through appropriate state organizations and the Columbia Basin Fish and Wildlife Authority. The development of this draft plan is a significant accomplishment, as the scope of the plan is the entire region and many entities were involved in its development. Importantly, however, funding and staff time to implement the plan remains under discussion.

Recommendation:

The Council, NOAA Fisheries and the U.S. Fish and Wildlife Service should report on implementation of the biological opinions in each state.

Action:

The Council is monitoring implementation of the biological opinions and working with the federal agencies to ensure that federal recovery actions are integrated with implementation of the Council's program and incorporated in subbasin plans, as noted above. The Federal Caucus provides periodic updates of biological opinion implementation on its website, www.salmonrecovery.gov.

We will continue to apprise you of our progress in implementing your recommendations.

Sincerely,