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August 7, 2003

**MEMORANDUM**

**TO:** Council Members

**FROM:** Mark Walker, Director of Public Affairs

**SUBJECT:** Status of Fiscal Year 2004 Federal Appropriations for Corps, Bureau and BPA

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The following is a comparison of the House and Senate versions of the FY 2004 Energy and Water Development Appropriations Bill pertaining to the Columbia River operations of the Army Corps of Engineers, Bureau of Reclamation and Bonneville Power Administration.

**U.S. Army Corps of Engineers**

**General Investigations (i.e., studies)**  
 (\$\$ in thousands)

	<u>Budget</u>	<u>House</u>	<u>Senate</u>
Lower Columbia R. Ecosystem Rest.	250	250	250
Walla Walla River Watershed	439	439	500
Willamette R. Floodplain Rest.	210	210	210

**Construction General**  
 (\$\$ in thousands)

	<u>Budget</u>	<u>House</u>	<u>Senate</u>
Columbia River Fish Mitigation	95,000	85,000	85,000
Bonneville Powerhouse Rehab.	3,363	3,363	6,363
Chief Joseph Gas Abatement	900	--0--	3,000
Lower Columbia R. Ecosystem Rest.	2,000	2,000	2,000
Willamette River Temperature Control	10,000	10,000	10,000
Columbia R. Channel Improvements	--0--	2,000	5,000

**House Report Language:** None

### Senate Report Language:

*Columbia River Fish Mitigation, WA, OR & ID. -- The Committee has provided \$85,000,000 for the Fish Mitigation project. This reduced funding level should in no way be considered any diminution of interest or support for the project, but instead it reflects the very limited resources of the Committee.*

*Chief Joseph Dam Gas Abatement, WA. -- The Committee recommendation includes \$3,000,000 for the continued construction of this project. The additional funds are provided for the award of construction contracts related to the right abutment, staging area and cofferdam fabrication.*

*Columbia River Channel Improvements, OR & WQA. -- The Committee has included \$5,000,000 for this project, which includes ecosystem restoration efforts. The Committee expects that this effort will further improve the Corps' "no jeopardy" biological opinion standings. Therefore, the Committee expects that the administration should budget for this project in a responsible manner.*

### Bureau of Reclamation

#### Water and Related Resources (\$\$ in thousands)

	<u>Budget</u>	<u>House</u>	<u>Senate</u>
Columbia & Snake River Salmon			
Recovery Project	19,000	15,000	19,000
Deschutes Ecosystem Restoration	500	1,000	750
Umatilla Basin Project Phase III Study	200	200	400
Yakima River Basin Water Enhancement	12,730	12,730	12,730
Yakima River Basin Water Storage	--0--	2,000	500

### House Report Language:

*Columbia and Snake Rivers Salmon Recovery Project, Idaho. -- The budget request includes \$19,000,000 for the Columbia and Snake Rivers Salmon Recovery Project. Of the total requested, \$4,000,000 is for construction activities that require additional authorization. The Committee has not provided these funds.*

*Yakima River Basin Water Storage, Washington. -- The Committee has provided \$2,000,000 for the Bureau of Reclamation to continue work on the feasibility study of options for additional water storage in the Yakima River Basin, with an emphasis on the feasibility of the storage of Columbia River water in the potential Black Rock Reservoir.*

### Senate Report Language:

*Umatilla Basin Phase III Feasibility Study, OR. -- The Committee has included an additional \$200,000 for the Bureau to evaluate the feasibility of several options for improving water quality and instream flows.*

*Yakima River Basin Water Storage Study, WA. -- The Committee has provided \$500,000 for the continued feasibility study, which was not in the administration's budget request.*

## **Bonneville Power Administration**

### **House Report Language:**

*The Bonneville Power Administration is the Department of Energy's marketing agency for electric power in the Pacific Northwest. Bonneville provides electricity to a 300,000 square mile service area in the Columbia River drainage basin. Bonneville markets the power from Federal hydropower projects in the Northwest, as well as power from non-Federal generating facilities in the region, and exchanges and markets surplus power with Canada and California.*

*The Committee continues to have concerns about Bonneville's financial situation, particularly in light of the \$700 million in additional borrowing authority provided to Bonneville in the Energy and Water Development Act, 2003. At the same time that the House and Senate Committees on Appropriations were conferencing the fiscal year 2003 appropriations bill and deciding whether to provide this additional borrowing authority, Bonneville realized that it had a 74 percent probability that it would miss its loan repayment to the Federal Treasury in fiscal year 2003. Unfortunately, Bonneville neglected to inform Congress of this critical change in its financial circumstances until after the fiscal year 2003 appropriations conference was completed.*

*The Committee has asked the General Accounting Office (GAO) to conduct a thorough review of the Bonneville Power Administration. The GAO has provided the following preliminary findings and observations: (1) increasing borrowing authority for the transmission side of BPA will increase BPA's overall costs but will not resolve its current financial difficulties on the power generation side of BPA (i.e., low cash reserves and poor bond ratings); (2) BPA is currently overextended as a result of committing to provide more power than it can generate from the Federal hydropower system, creating greater volatility in costs and revenues; (3) stakeholders see a lack of sufficient oversight and a lack of incentives to control costs; and (4) the present rate structure insulates customers from natural fluctuations in hydropower availability, thus eliminating any price signal when electricity is scarce. The net result is that Bonneville continues to operate at significant financial risk, which impacts both ratepayers in the region and taxpayers in the rest of the country.*

*The Committee directs the Secretary to conduct an independent review of Bonneville's mission, management, and financial condition to address the GAO findings and conclusions. The Committee expects the Secretary to make specific recommendations to Congress to show how Bonneville might focus its mission on delivering the electricity generated by the Federal hydropower system and reduce the risk to the ratepayers in the region and to the Federal Treasury. The Secretary should submit this report to the House and Senate Committees on Appropriations not later than December 31, 2004.*

**Senate Report Language:** None

## **Status of House and Senate Bills**

The House Energy and Water Development Appropriations Bill has passed the full House and is awaiting conference with the Senate. The Senate bill has been approved only through committee and is awaiting floor action in September.