

Department of Energy

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

ENVIRONMENT, FISH AND WILDLIFE

May 19, 2005

In reply refer to: KE-4

Mr. Pat Reiten, President and CEO
Pacific Northwest Generating Cooperative
711 NE Halsey
Portland, OR 97232-1268

Mr. John Saven, Chief Executive Officer
Northwest Requirements Utilities
825 NE Multnomah, Suite 1135
Portland, OR 97232

Ms. Marilyn Showalter, Manager
Public Power Council
1500 NE Irving, Suite 200
Portland, OR 97232

Dear Messrs. Reiten and Saven, and Ms. Showalter:

Thank you for your letter of April 1, 2005, addressed to the Administrator and to the Chair of the Northwest Power and Conservation Council (Council), regarding the utility of a Fish and Wildlife Program (Program) funding agreement (MOU) between our two agencies. In replying to your request that an MOU not be pursued at this time, I want to respond to the issues you have raised concerning the perspectives of utility and industrial interests who are customers of the Bonneville Power Administration (BPA).

While I concur with many of the principal points you have elaborated, I remain convinced that a funding agreement is an appropriate vehicle to further the outcomes that you have described in your letter, and to advance key objectives in BPA's strategic plan, including the delivery of "cost effective solutions for meeting fish, wildlife and environmental responsibilities, measured against clearly defined performance standards." Properly crafted, an MOU can significantly reinforce a more explicit commitment within the region to emphasize measurable biological performance in the selection of measures, the prioritization of mitigation and recovery effort in Program implementation, and the sharing of investment in fish and wildlife Program funding support where there are mutual mitigation and recovery responsibilities.

I appreciate the level of customer interest in these issues, your frustration regarding the lack of certainty about total future fish and wildlife costs, and the importance of mitigation efforts being as cost effective and efficient as possible. Through the MOU discussions we are exploring how to make the Program more effective in delivering on-the-ground benefits to fish and wildlife. We also share interests in clarifying financial definitions and guidance BPA will employ in implementing the Program. Finally, we are working with the Council and others to identify areas of Program implementation where changes are needed and how to accomplish these changes. The MOU we are pursuing with the Council encompasses a commitment to the importance of mitigation efforts being delivered as effectively and efficiently as possible – in terms of both cost and biological performance. I believe the commitment to these outcomes is genuinely shared among the Council, BPA, its customers, and our agency and tribal mitigation partners, but that it can be made more explicit and durable through the mechanism of an MOU.

It is important to emphasize that BPA and the Council are working together to structure a framework for Program management that guides the application of resources to meet defined and quantifiable biological and environmental performance standards. We view fiscal years 2007-09 as a period of transition and therefore an opportunity for: 1) developing and then using performance standards to guide the selection of particular projects for funding under the Program; 2) using prioritization protocols for decisions regarding mitigation focus areas; 3) refocusing the region's research, monitoring and evaluation effort needs to provide strategic information regarding key resource management questions, and to also allow for additional funding to be shifted to on-the-ground mitigation efforts; and, 4) developing and applying cost-sharing protocols in areas in which there are shared mitigation obligations. We see an MOU as an opportunity to provide a framework for addressing these issues and accomplishing this important transition. In addition, the agreement we envision would further the ability to prioritize and effectively and efficiently manage existing expenditures and commitments.

Another concern you have raised is how to deal with uncontrollable events that may affect the levels of BPA's fish and wildlife spending commitments and our ability to meet them. I believe the MOU as drafted addresses the risk concerns you raised—and which I share—regarding uncontrollable events and the adding of “another layer of non-discretionary funding” over which the agency has little control. A provision in the latest draft MOU addresses situations when our spending levels may have to change and how we will manage adjustments during times of changing expectations and circumstances.

Regarding Program funding, it should be mentioned that we are proposing a Program expense budget that is only nominally above the current funding level in part because the region currently lacks an agreed-upon approach for developing a sum-of-the-parts budget based on a detailed determination of the most efficient, effective and economic approach for meeting performance standards. However, once we transition to a more performance based approach for achieving fish and wildlife objectives, a potential outcome may be that additional funding is needed in the future for meeting such objectives.

Given all of this, I ask that that you look at the proposed Integrated Program MOU as an opportunity to help the region as a whole to move in the direction you have elaborated in your letter. Even in those areas of Program implementation in which we have not yet fully defined how to fulfill BPA's role and responsibilities for fish and wildlife, an MOU could help direct how the region approaches the development of measurable environmental and biological objectives or performance standards. By focusing on improvements that can be measured and quantified through changes in environmental and habitat-based metrics, we can better focus and agree on future appropriate levels of Program funding needed for achievement of those objectives.

I hope this letter provides some additional insight into BPA's perspective regarding the importance of an MOU at this time, and our intentions in managing the implementation needs of the Program into the next rate period. Thank you for your continued commitment to BPA's performance and financial health, the sustainability of our investments, and the success of the region's fish and wildlife mitigation and ESA recovery efforts.

Sincerely,

/s/ G. K. Delwiche

Gregory K. Delwiche, Vice President
Environment, Fish and Wildlife

cc:

Melinda Eden, Chair Northwest Power and Conservation Council
Doug Marker, Fish and Wildlife Director, NPCC