



Fish & Wildlife Capital Project Clarification

April 13, 2007

The purpose of this document is to add clarity to the BPA capital policy for fish and wildlife assets: [Fish and Wildlife Capitalization Policy](#) document dated 4/1/04.

As stated in the Capitalization Policy, actions may be considered Capital if ***all*** of the following primary criteria are met:

- 1) BPA share of project costs must exceed \$1M (*excluding all conceptual and preliminary costs for projects that go through the Northwest Power and Conservation Council's 3-Step Review*).
- 2) The capital construction must have an estimated useful life of 15 years or longer.
- 3) Provides a measurable future benefit, defined as fulfilling a legal obligation of the FCRPS.

Similar to previous BPA Rate Periods, the five types of capital projects as defined by the FY07 - FY09 Rate Case are as follows:

- 1) Tributary passage** -- Construction that enhances fish passage within a Council defined subbasin. Functionally interdependent passage actions could include the following: wells, ladders, screens, pumps, culverts, diversion (irrigation) consolidation and actions that will increase instream flow such as irrigation efficiencies (piping, drip irrigation, and lining of ditches for seepage reduction).
- 2) Gas abatement** -- Construction that reduces or eliminates the super-saturation of gaseous nitrogen in water beneath the dam spillways.
- 3) Hatchery facility construction** -- Construction of fish hatcheries, including related satellite facilities (acclimation ponds) and land acquisition.
- 4) Mainstem passage** -- Construction that benefits fish passage in the mainstem of the Columbia River or Snake River. Capital actions may include: ladders, removable spillway weirs, collection facilities, PIT tag facilities, etc.
- 5) Land acquisition** -- Land acquisitions that protect, enhance, and maintain instream wetland and riparian habitat that provide quantifiable mitigation units: a) habitat units (HUs) for wildlife and b) instream miles for resident fish to fulfill the defined, quantified, legal obligation of FCRPS. Land acquisitions must be executed within a single fiscal year to improve the likelihood of meeting the \$1 million threshold. Pre-acquisition costs for this kind of land acquisition are not capitalized.

Additional Capital Project Information

The following additional information must be provided to adequately describe work and provide reasonable certainty that functionally interdependent actions in the sub-basin will meet the \$1 million threshold:

- **Scope** – A description of capital work broken down by location and cost (or locations and costs in the case of multiple construction sites).
- **Start / End dates** – The expected timeframe for the capital construction work (within 36 months after the first contract start date, for tributary passage).
- **Budget** – A budget for capital construction by fiscal year and total capital cost for the entire scope of capital work, excluding the cost of inflation.
- **Project Lead** - A single entity will be designated in the proposal as the project lead if there are collaborative efforts from multiple entities. Multiple contracts and contractors for the full project scope are acceptable, but there must be one designated lead for the activities to be capitalized.



Capitalization Process

- To ensure the efficient application of BPA capital funding, the NW Power and Conservation Council will recommend project proposals with potential capital construction components that comply with BPA Capitalization policy. Project proposals with construction at multiple locations must be:
 - *Classified* -- Submitted as one of the five types of capital actions described above (tributary passage, gas abatement, hatchery facility construction, mainstem passage, land acquisition).
 - *Listed* – Capital construction by location.
 - *Costed* – Listing of the annual capital cost of the construction during the fiscal year as well as the total capital cost. If construction is at multiple locations, a listing of the capital cost by each location; broken down by fiscal year capital costs and the total capital cost.
- When a proposed project contains elements of both capital and expense funding, contracting must result in separate contracts: one contract for capital costs, and a second contract for expense costs.
- If a capital project does not continue to meet capitalization criteria during its implementation, the accumulated project costs will be *expensed in the fiscal year* that the failure to meet capitalization criteria is determined by BPA.
- The appropriate BPA Fish and Wildlife Manager shall provide the technical review and the BPA accounting liaison assigned to F&W shall provide the financial review before BPA will approve the project. BPA will document these capital project designations.

Not Capital Projects

The following costs for project activities are not capital:

- Preliminary costs related to construction (*Step 1 and Step 2**)
- Operations and Maintenance
- Monitoring and Evaluation
- Habitat Maintenance or Enhancement. An exception to this rule is in the case of restoration or stabilization of the property to the state equal to that of the pre-construction disturbance. Examples of these types of capital actions include vegetation restoration and land recontouring.
- Preliminary planning such as investigations or surveys.

NOTE: * *Step 1 and Step 2 refers to the Northwest Power and Conservation Council's 3-Step Review Process for major construction projects.*