

Fish and Wildlife Asset Strategy

Executive Summary

This asset strategy was prepared before BPA's proposal to reduce costs. Spending levels in this document may not tie to proposed reductions. The strategy will be revised upon conclusion of the CIR and the IPR.

Purpose and Scope

The Bonneville Power Administration (BPA) is responsible for the protection, mitigation and enhancement of fish and wildlife affected by the construction and inundation impacts of the Federal Columbia River Power System (FCRPS). BPA is guided in its program implementation by the Northwest Power and Conservation Council's (Council) Fish and Wildlife Program (Program) and the associated biological opinions that regulate the operation of the FCRPS (i.e. 2009 FCRPS BiOp). The Council provides project selection and funding recommendations for the construction of fish facilities and acquisition of land under the Program informed by their public and scientific review procedures. Subsequently, through the Integrated Program Review (public cost-review process), BPA develops a capital budget for program implementation. Once BPA receives Council recommendations projects are selected for funding. This funding activity supports Program purposes, such as mitigation for construction and inundation, providing habitat for wildlife, securing riparian buffers to protect streams for fish, and providing land for construction of fish hatcheries.

Funding the construction of a facility or acquisition of land under the capital budget portion of the Program does not result in BPA taking title or owning the facility or land (reflects current program policy). The funded entity or sponsor (usually a Tribe, state or other federal agency) takes title on a permanent basis together with ownership responsibilities (i.e. payment of property taxes). BPA's asset value in a property is secured through the use of a required conservation easement that is placed on the property. The conservation easement gives BPA enforcement rights on the property *in perpetuity* to ensure the natural resource values (wildlife benefits) are for ever protected. The main thrust is to maximize asset value consistent with sound business practices, while optimizing the use of limited capital and staff resources.

Background

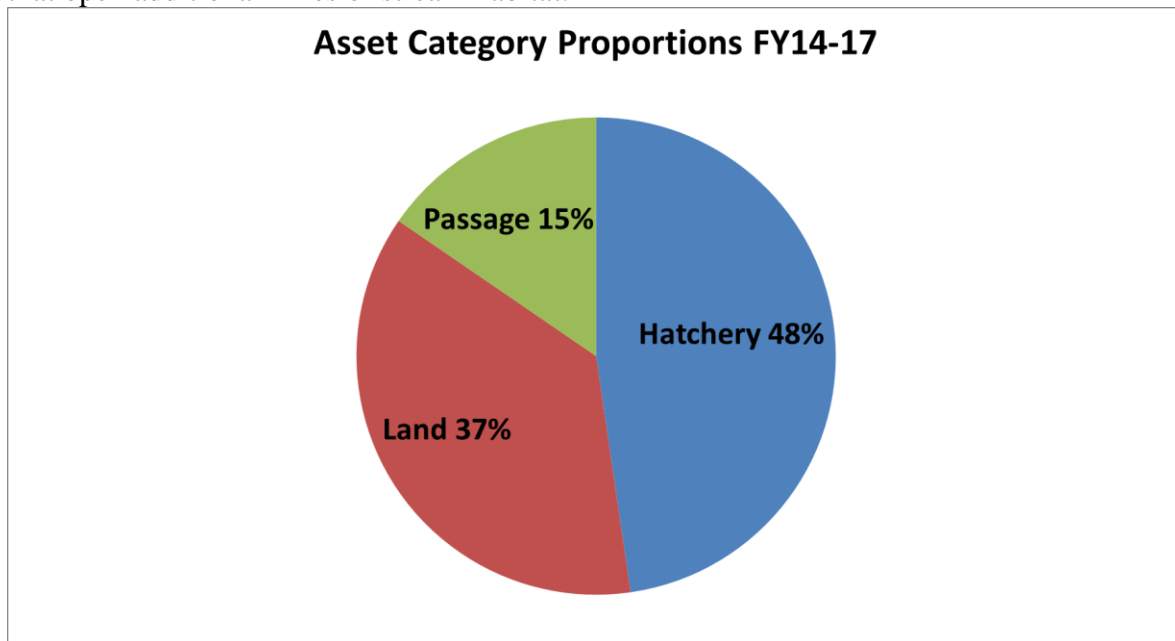
Performance objectives for wildlife mitigation and land acquisition were determined by Council driven loss assessments conducted in the 1980's and formalized in the Council's Fish and Wildlife Program, most recently updated in 2009, however, the Council is currently involved in a new public updating process to prepare an amended program in 2014. For critical assets, asset owners and operators develop asset management plans that identify how the asset is being maintained to ensure the value is sustained year after year. Hatchery strategies have resulted in increased juvenile and adult returns. Within the Columbia River Basin, all hatchery programs are under review. The Hatchery Scientific

Review Group (HSRG) has reviewed hatchery and wild stocks to improve management practices to meet conservation goals while providing for sustainable fisheries. The review process encompasses all anadromous hatchery programs in the Columbia River Basin and addresses changes and reforms in hatchery practices.

Wildlife mitigation targets are nearing completion. The acquisition of wildlife land, and subsequent conservation easements, ensures the long-term conservation value of the asset. A management plan is prepared for each property that identifies the activities to sustain, restore, and enhance the value and benefit of the original investment. The value has been increased for these properties as determined by the recent Council Wildlife Crediting Forum.

Profile of Assets

The Fish and Wildlife organization has three major asset categories. The three categories are land acquisitions for wildlife credit, major hatchery construction and tributary passage improvements. Land acquisitions for wildlife credit are a requirement to mitigate for the flooding and inundation of the dams. Each hydro project has a wildlife loss assessment that BPA is responsible to fund and pay for O&M to fulfill the obligation. Current major hatchery construction projects are mainly driven by the Columbia Basin Fish Accords. Hatcheries are being built across the NW States to supplement and reintroduce extirpated species such as Salmon and Steelhead back into the Columbia River Basin. Hatcheries range in production from a few hundred thousand to several million juveniles that are released annually into rivers, streams and reservoirs. Tributary Passage improvements aid in the survival and extend the habitat reach in rivers and streams for both anadromous and resident species. Improvements consist of culvert installations or removal, blocking or screening drainage ditches from river canals and improvements such as small dam removal that open additional miles of stream habitat.



Asset Management Objectives

The collaborative and shared responsibility characteristics of the BPA Fish and Wildlife program performance objectives are set by Biological Opinions, court orders, and Council recommendations. BPA does not own, operate or maintain fish and wildlife facilities or land. BPA does provide sources of funding to deliver on recommendations for hatchery and fish facility additions, upgrades and replacements and the acquisition of conservation land parcels and easements.

Hatchery and Fish Facility Assets: BPA Fish and Wildlife Management receives from the Council decision letters that make recommendations on projects to fund. The Council enacts a rigorous process to approve facilities that entails environmental compliance, biological benefit and scientific review. BPA's objective is to make funding decisions based on capital availability and annual constraints to deliver on these Council recommendations. Once hatcheries or other fish facilities are constructed BPA turns over ownership to the sponsor who owns the asset but continues to fund operations and maintenance of the facility.

Land Assets: Over the history of the BPA Fish and Wildlife Program various agreements have been reached with acquisition sponsors based on the Council Fish and Wildlife Program and Loss Assessments. In these agreements BPA commits to providing "pre-acquisition" funding to allow the sponsor to find potential parcels and obtain and prepare various acquisition documents; appraisals, titles, maps, sales agreements, etc. As the sponsor nears completion of this pre-acquisition work they propose a level of mitigation credit they will extend to BPA in exchange for funding. BPA then negotiates a conservation easement to establish how the properties are to be maintained, what activities are prohibited, and BPA's enforcement right. See Table 1 below for a list of current capital projects for land acquisition.

Tributary Passage: Management objectives surrounding passage improvements are part of the overall strategy to rebuild rivers and streams for fish survival and reproduction. The strategy around passage improvements is to locate areas that need improvement that will provide the largest benefit comparatively. To date the Program has opened up hundreds of miles of river habitat that had been blocked by primarily man made structures providing increased access to spawning grounds. Fish screens in heavily irrigated areas around the region have been a major focus of the Program to provide safe passage for both anadromous and resident fish from destructive irrigation channels.

Key Drivers

The following are key drivers in determining level of funding of the Fish & Wildlife program:

- Need to increase habitat for wildlife and resident fish
- Need to increase adult fish returns and mitigate impacts of hydro projects

- Need to improve out-migration of juvenile fish and increase adult spawning habitat

BPA and the region benefit from these investments through the mitigation of effects of hydro operations and enable continued operation of the Federal Hydro projects in the Columbia River system.

Strategic Challenges

There are many uncertainties and risks that impact the fish and wildlife program and salmon recovery and wildlife mitigation.

For wildlife land acquisitions, willing sellers in priority locations (associated with FCRPS dams) are at times difficult to identify. Political pressures affect land acquisitions due to concern over property value and taxes (i.e. the affect of lands moving into a “trust” status)

The risks associated with meeting hatchery objectives are complex and involve, for example, an entities ability to identify a location that has adequate water supplies, secure environmental permits, broodstock availability, acclimation facilities, etc.

Risks to filling gaps for fish passage include local government and private landowner practices, meeting permit requirements, and road development that create barriers to potential healthy habitat.

In addition, risks include everything from operational failures, to natural events, like fire and weather, to court ordered harvest rules and ocean conditions.

Strategy Direction

The Fish and Wildlife asset category will enhance its asset strategy by conforming as closely as possible to the agency’s policy on developing asset management strategies (BPAM 661). This enhanced strategy will focus on investments for which BPA retains discretion to influence the relative prioritization, selection, implementation, and on-going support of investments and land acquisitions.

Wildlife objectives are being met with current program strategies of funding land acquisitions that provide significant wildlife benefit toward achieving completion of our mitigation obligation. The program is moving toward settlement agreements to define the obligation and establish a dollar amount and habitat units to extinguish the obligation. Also included in these settlement agreements are O&M stewardship payments for the long term maintenance of the properties. By defining the dollars, O&M funds and habitat units remaining to extinguish the obligation the Program and sponsors have gained certainty of future funding to plan operations while also extinguishing the need for funding after all required purchases are made.

In general, hatchery production is used to increase juvenile out-migration and thus an increase in adult returns, but for some fish populations needing additional support, it has

been determined that additional hatcheries are required. For hatcheries, the need is to supplement fish populations of concern under ESA as guided by the various BiOp's. Our strategy is to continue working with sponsors through the Northwest Power and Conservation Council's three step program to fund hatchery projects. See Table 2 below for currently planned hatcheries.

Access to available habitat needed to increase spawning continues to be limited by various obstacles. For passage improvements, the need is to ensure our ability to increase the amount of smolt out-migration and as returning adult numbers increase the need is to ensure access to available high quality habitat.

Additionally, BPA has reached settlement agreements in many forms, including Land Use Agreements (LUAs), Accords, MOA's and settlement agreements that guide our future direction.

Results to be achieved

Results to be achieved for each of the asset categories are unique to that category. Hatchery success will be measured first based on if the hatchery was built on schedule and within the budget. It will then be measured by its productivity (i.e., healthy juvenile fish released annually). Over the long term the hatchery will be evaluated to determine that its meeting its objective of supplementing and/or reintroducing species into critical areas determined by the BiOp.

Tributary Passage results will be measured primarily by the safety provided to the rivers and streams, but also in determining that the reopened habitat is being utilized for reproduction. The Program monitors these improvements and reports when increased habitat is being utilized.

Land acquisitions for wildlife credit will be measured over two objectives. The acquisitions under a settlement agreement will be reviewed to determine that progress is being made each year to extinguish the obligation within the timeframe set within the agreement. A major achievement being realized is not only the extinguishment of the obligation but the extinguishment of the O&M costs associated with the purchases thru the establishment of long term stewardship funding that is for the life of the property. These stewardship funds extinguish future obligations from BPA and is a long term saving to the rate payers. For purchases that are outside a settlement agreement, the Program will be measured on its ability to enter into settlement agreements or to better define the outstanding obligation and come to agreement with the States to ultimately move toward completion of the mandated purchases.

Costs – Capital and Expense

There is a growing O&M responsibility due to past investments. However, that O&M responsibility is met through the expense budget, of approximately \$15 million per year for the wildlife program. For land acquisition in FY 2012 the program spent \$26 million. For

hatcheries the program spent \$23.6 million and for passage/other \$7.9 million was spent in FY 2012. The total FY 2012 capital spending was \$57.5 million.

For land acquisition in FY 2013 the program spent \$19.1 million. For hatcheries the program spent \$21.3 million and for passage/other \$11.7 million was spent in FY 2013. The total FY 2013 capital spending was \$52.1 million.

For land acquisition in FY 2014 the capital budget is \$22.3 million. The hatchery capital budget is \$20.1 million and for passage/other the budget is \$7.6 million. The total FY 2014 capital budget is \$50 million.

Table 1
Annual Capital Budgets for Land Acquisition Projects from FY14 – FY17

Project Title	Project Description	Fund Source	FY14 Budget	FY15 Budget	FY16 Budget	FY17 Budget	FY14-17 Total
Montana Resident Fish Habitat Acquisition	Land acquisition with MFWP to mitigate for impacts of Hungry Horse and Libby Dams on resident fish	Accord	\$3,615,930				\$3,615,930
Albeni Falls Wildlife Mitigation Capital Land Acquisitions	Land acquisitions with Coeur D'Alene Tribe, Idaho Department of Fish and Game(IDFG), Kalispel Tribe, and Kootenai Tribe to mitigate for impacts of Albeni Falls Dam on wildlife	Accord	\$2,375,000				\$2,375,000
Secure and Restore Fish & Wildlife Habitat in Montana	Land acquisitions with CKST to mitigate for impacts of Hungry Horse and Libby Dams on resident fish	General	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000
Southern Idaho Wildlife Mitigation	Land acquisitions with IDFG to mitigate for impacts of Anderson Ranch, Black Canyon, Palisades, and Minidoka Dams on wildlife	General	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$10,000,000
Shoshone-Bannock Wildlife Mitigation Projects	Land acquisitions with SBT to mitigate for impacts of Anderson Ranch, Black Canyon, Palisades, and Minidoka Dams on wildlife	Accord	\$1,655,000	\$1,655,000	\$1,655,000	\$1,655,000	\$6,620,000
Willamette Wildlife Fund	Settlement with State of Oregon for wildlife impacts from Willamette Dams	Accord	\$8,000,000	\$8,200,000	\$8,405,000	\$8,615,125	\$33,220,125

Table 2

Most Significant Hatchery and Fish Facilities (\$ in Millions) Planned for FY14-17

Project Title	Fund Source	FY14 Budget	FY15 Budget	FY16 Budget	FY17 Budget	FY14-17 Total
Klickitat River Design and Construction	Accord	\$1,000,000	\$4,640,990	\$4,354,967	\$1,904,017	\$11,899,974
Walla Walla Hatchery Final Design/Construction	Accord		\$8,500,000	\$3,500,000		\$12,000,000
Snake River Sockeye Captive Propagation	Accord	\$1,850,000	\$0			\$1,850,000
Crystal Springs Hatchery Construction	Accord		\$2,114,151	\$8,481,147		\$10,595,298
Mid-Columbia Reintroduction Feasibility Study	Accord	\$135,000	\$5,331,224			\$5,466,224
Kootenai White Sturgeon/Burbot Construction	General	\$13,328,101				\$13,328,101
CRITFC White Sturgeon Hatchery	Accord			\$4,600,000	\$3,000,000	\$7,600,000
Hood River Artificial Production-Parkdale	Accord	\$500,000	\$500,000	\$670,483		\$1,670,483
John Day Reprogramming & Construction	Accord		\$1,500,000	\$2,500,000		\$4,000,000
Kelt Reconditioning and Reproductive Evaluation	Accord		\$1,000,000	\$1,000,000		\$2,000,000
Sho-Pai Hatchery	General		\$2,200,000	\$800,000		\$3,000,000
Coho Prod. Facility & Marking	Accord		\$3,000,000	\$6,290,355	\$2,950,000	\$12,240,355

Financial Disclosure

This information has been made publicly available by BPA on February 18, 2014 and contains information not reported in BPA financial statements.