



Fish and Wildlife Direct Program (Expense)

Wednesday, February 25, 2004

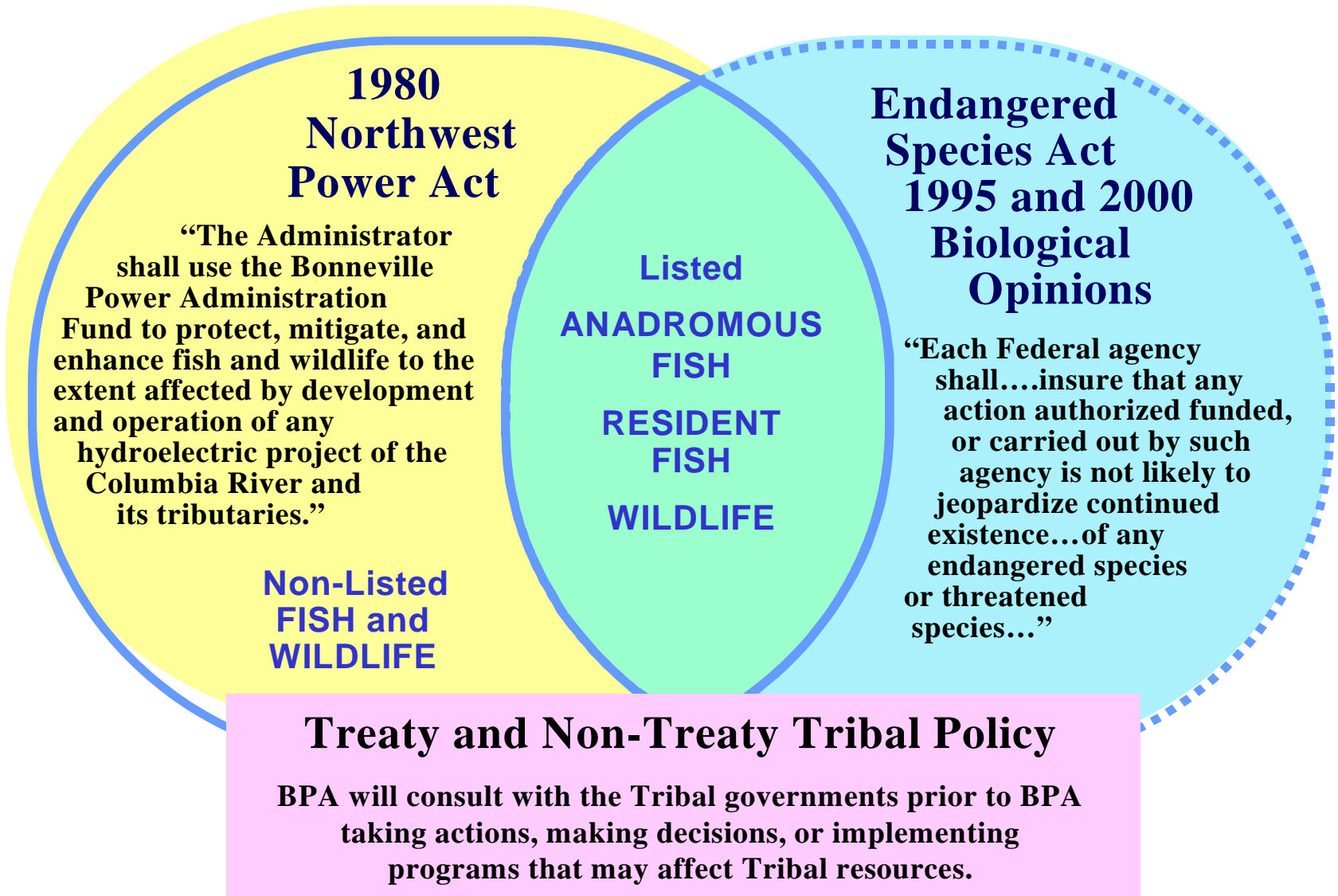


BPA's Fish and Wildlife Program

- BPA's Fish and Wildlife Program expenses are forecast to average \$139 million annually for FY 2004-2006.
- The rate case assumed \$139 million each year for the rate period, and Budgeting Rules developed with the NWPCC (Council) call for managing the program to an annual average of \$139 million for FYs 2003-2006.
- We do not see a likelihood of reductions in this level of funding.
- We will ask the Sounding Board if there is interest in going through this package.
 - Background on the Program.
 - Costs and Drivers.
 - What We've Done.
 - Current Efforts.

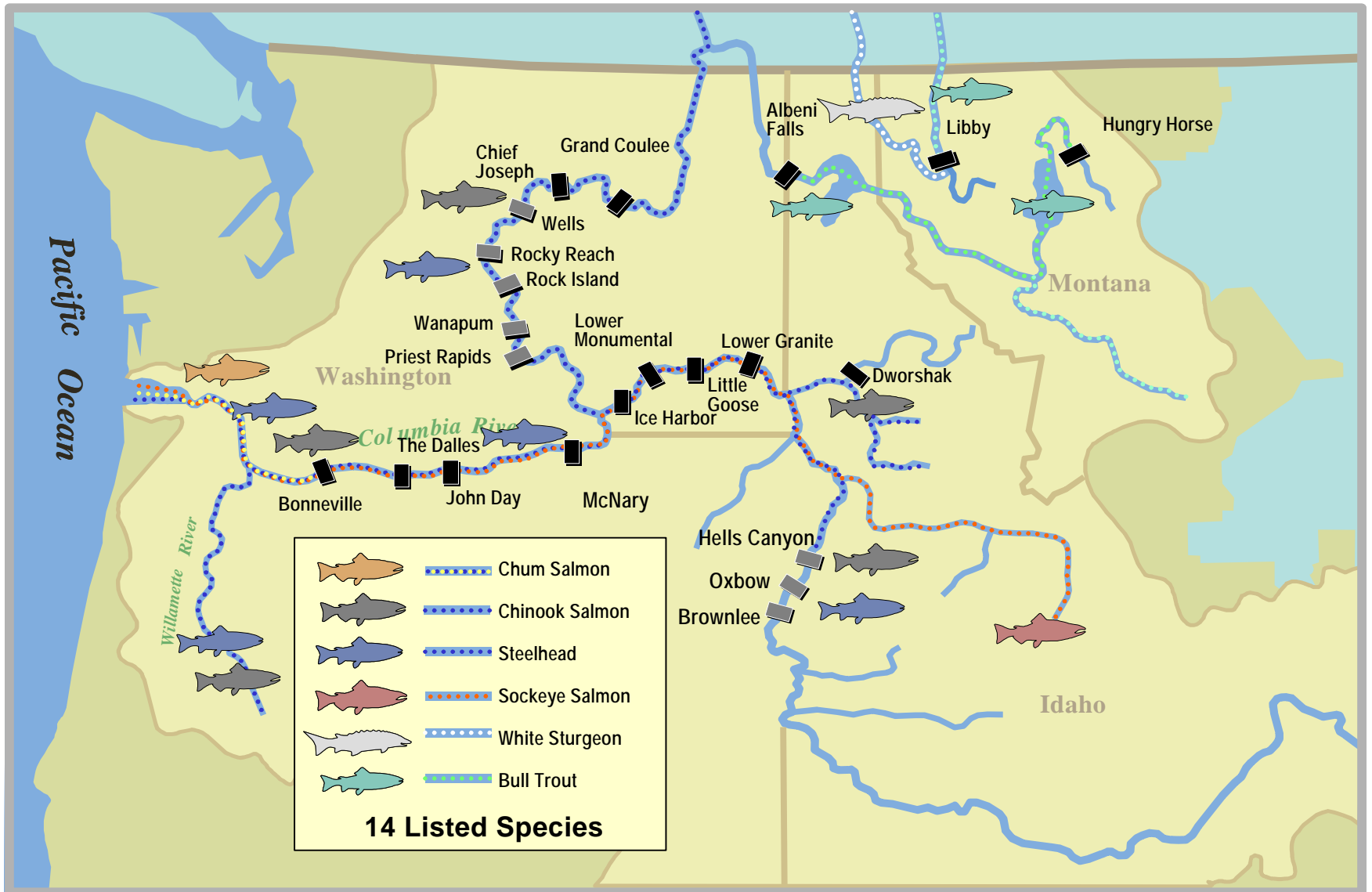


Background: Fish and Wildlife Legal Mandates



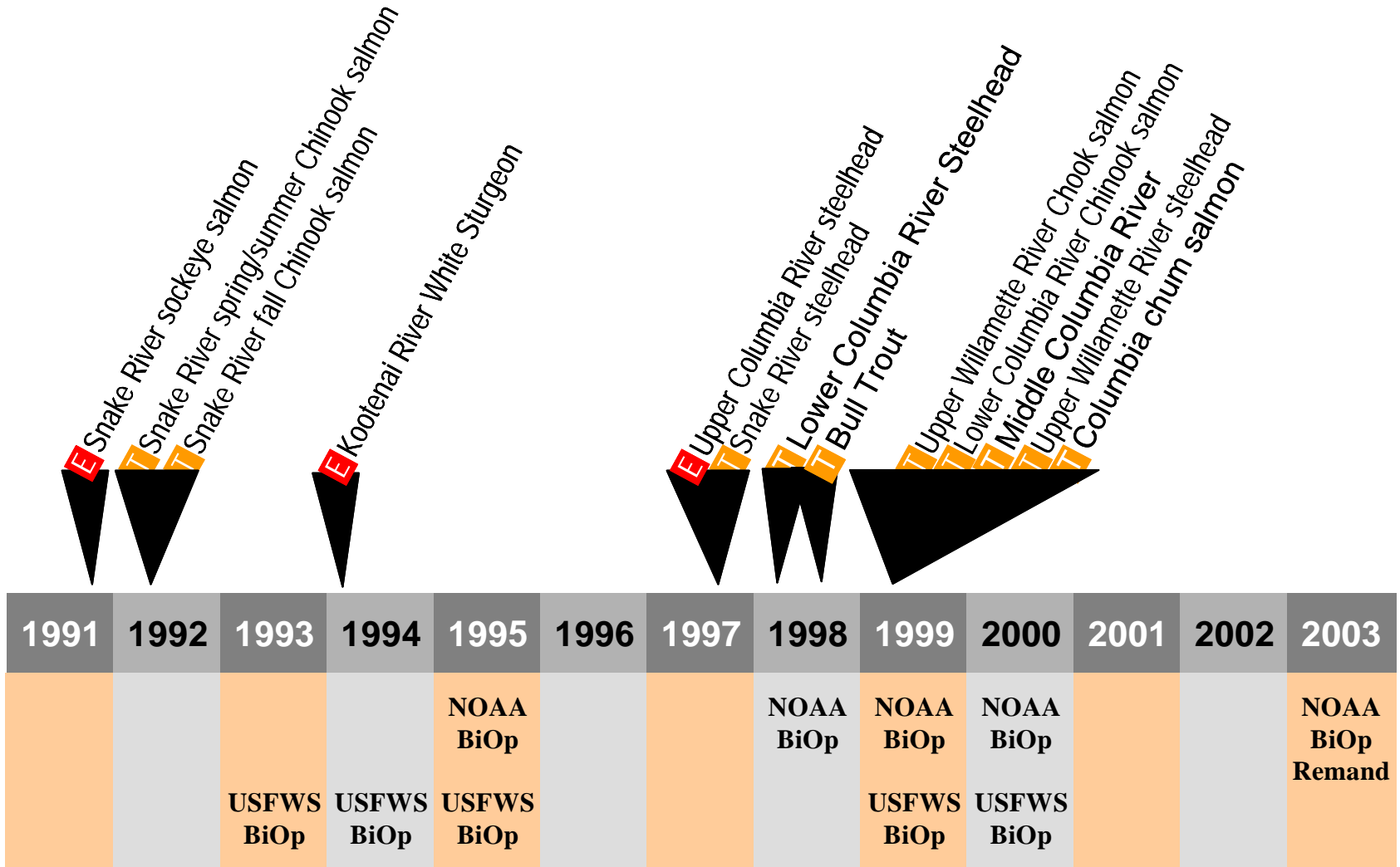


Background: Listed Fish and FCRPS Dams





Background: Chronology of Listings and Biological Opinions



E Endangered
T Threatened



BPA's Fish and Wildlife Objectives

- Scientifically based, cost-effective fish and wildlife recovery, consistent with a reliable power system.
- FCRPS ESA, CWA, and non-listed fish and wildlife obligations are fully understood and met.
- FCRPS actions are met as part of an integrated All-H developed and implemented in collaboration with the Federal Caucus, States, Council and Tribes.
- FCRPS' stakeholders view BPA's fish and Wildlife actions as providing high biological benefit at least cost.



Vision: Fish and Wildlife is Considered Best Practice for Fish and Wildlife Program Management

VISION

Delivers Clearly Defined Results

Exceptional Execution

Collaborative and Regionally Based



OUTCOMES

Define ESA, Power Act, & Tribal Trust Obligations

Define and implement policies and systems for improved contract and financial management

Build trust, credibility, and partnerships

NEAR-TERM INITIATIVES

- Define ESA obligations through Biological Opinion Remand/Reconsultation
- Define BPA's Northwest Power Act Obligation
- Define Tribal Trust Responsibility
- Develop ESA and NWPA Integrated Hydro, Habitat, Hatchery, Harvest and RM&E Strategies

- Sound Financial Management
- Exceptional Project Management
- Timely execution
- ESA and NWPA Reporting

- Define Roles and Responsibilities with Council, CBFWA & NW Tribes
- Respect and support roles of regional partners
- Be clear and up front about BPA requirements
- Work toward win/win solutions



Components of BPA's Fish Costs for Today's Discussion

- **Direct Program:**
 - The non-capital expenditures for fish and wildlife activities funded by BPA consistent with the Council's Fish and Wildlife Program and biological opinions.

- **High Priority/Action Plan:**
 - Two groups of proposals solicited for specific purposes, funded with PBL funds rather than through the Direct Program. BPA and Council solicited proposals in November 2000 for high priority projects, immediately preceding the NMFS FCRPS Biological Opinion issued in December 2000 to identify and quickly initiate immediate actions that would assist ESA-listed anadromous fish in the Columbia Basin. In May FY 2001, BPA solicited "action plan" proposals to address impacts to ESA-listed anadromous species and to unlisted fish directly affected by the declaration of a power emergency.

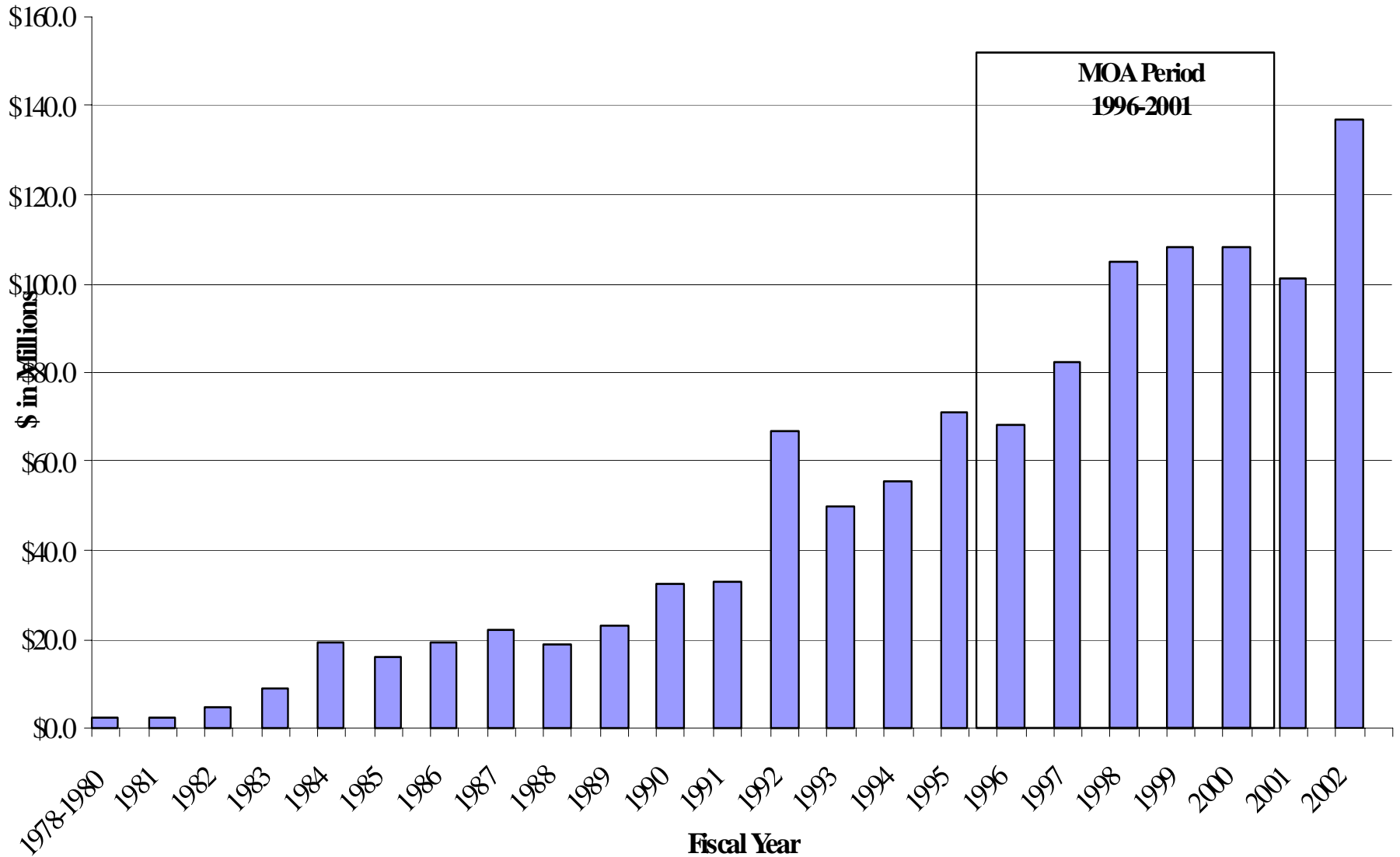


Other Components of BPA's Fish Costs

- Reimbursable/Direct funding:
 - The hydroelectric share of O&M and other non-capital expenditures for fish and wildlife activities by the Corps of Engineers, Bureau of Reclamation and US Fish & Wildlife Service that are funded by the US Treasury and reimbursed by BPA, or directly funded by BPA.
- Capital:
 - The projected amortization, depreciation and interest payments for fish and wildlife-related investments directly funded through BPA borrowing, as well as fish and wildlife capital investments by the Corps and Reclamation for which BPA is obligated to repay the US Treasury.
- Operations:
 - The power production effects of river operations required by NMFS and USFWS 2000 Biological Opinions. Cost estimates include both power purchases and lost revenue.



Direct Program Expenses 1978 to 2003





Costs and Drivers

The primary drivers of the Program costs are the legal mandates to meet both Power Act requirements and Endangered Species Act Requirements.

- Northwest Power and Conservation Council recommendations to achieve Northwest Power Act requirements.
- Biological Opinions and Implementation Plan.



Costs and Drivers (continued)

- Direct Program:
 - Rate case forecasts for 2002-2006 are \$139 million in each year of the rate period.
 - Rules for managing the program from FY 2003-2006 call for managing to an average of \$139 million, no more than \$556 million for the four-year period, and within plus or minus 10% of \$139 million in each year (\$125 million to \$153 million).

- High Priority/Action Plan:
 - Most projects from previous solicitations are complete. No new solicitations are currently planned.



Costs and Drivers (continued)

Issues and Areas of Concern:

- BPA changed from managing the F&W Program budget based on obligations to one based on annual accruals, resulting in the need to absorb bills for work contracted during the MOA period whose payment (accrual) did not come due until the current rate period.
- The Fish and Wildlife Division converted financial tracking to BPA's BES system, resulting in some inconsistencies with historical data.
- Issues of clarity, consistency and flexibility in capital vs. expense determinations.
- Integrating Biological Opinion responsibilities with NWPA responsibilities.



Project: Fish and Wildlife (\$ in millions)

Project: Fish & Wildlife (\$ in millions)	FY01	FY02	FY03	FY04	FY05	FY06	FY01-03 Average	FY03-FY06 Average	FY04-FY06 Average	FY03-FY06	FY04-FY06
										Average Above (or Below) FY01	Average Above (or Below) FY01
August 28, 2003 Rate Case Forecast											
Integrated Program	\$ 101.1	\$ 137.1	\$ 138.4	\$ 139.0	\$ 139.0	\$ 139.0	\$ 125.5	\$ 138.9	\$ 139.0	\$ 37.8	\$ 37.9
<i>Growth Rate</i>		35.6%	0.9%	0.4%	0.0%	0.0%					
High Priority/Action Plan	\$ 2.9	\$ 7.1	\$ 7.3	\$ -	\$ -	\$ -	\$ 5.8	\$ 1.8	\$ -	\$ (1.1)	\$ (2.9)
<i>Growth Rate</i>		144.8%	2.8%	-100.0%							
Current 2004 Update											
Integrated Program	\$ 101.1	\$ 137.1	\$ 140.6	\$ 139.0	\$ 139.0	\$ 139.0	\$ 126.3	\$ 139.4	\$ 139.0	\$ 38.3	\$ 37.9
<i>Growth Rate</i>		35.6%	2.6%	-1.1%	0.0%	0.0%					
High Priority/Action Plan	\$ 2.9	\$ 7.1	\$ 6.5	\$ 1.5	\$ -	\$ -	\$ 5.5	\$ 2.0	\$ 0.5	\$ (0.9)	\$ (2.4)
<i>Growth Rate</i>		144.8%	-8.5%	-76.9%							
Current 2004 Update Above (or Below)											
August 28, 2003 Rate Case Forecast	\$ -	\$ -	\$ 1.4	\$ 1.5	\$ -	\$ -	\$ 0.5	\$ 0.7	\$ 0.5	\$ 0.7	\$ 0.5
Strategic Objective(s) of Program Area											
Summary of Tier 2 strategic objective(s) that this program area is (are) linked to:											
Scientifically based, cost-effective fish and wildlife recovery, consistent with a reliable power system.											
What is the Tier 2 target(s) for this program area for FY04?											
<ul style="list-style-type: none"> - FCRPS ESA, CWA, and non-listed fish and wildlife obligations are fully understood and met. - FCRPS actions are met as part of an integrated All-H developed and implemented in collaboration with the Federal Caucus, States, Council and Tribes. - FCRPS stakeholders view BPA's Fish and Wildlife actions as providing high biological benefit at least cost. 											
Specific initiatives for FY04 relating to the specific program area.											
<ul style="list-style-type: none"> Defining Obligations Contracting Improvements Project Management Improvements 											



Project: Fish and Wildlife (\$ in millions) (continued)

	FY01	FY02	FY03	FY04	FY05	FY06	FY01-03 Average	FY03-FY06 Average	FY04-FY06 Average	FY03-FY06 Average Above (or Below) FY01	FY04-FY06 Average Above (or Below) FY01
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Current 2004 Update Above (or Below)											
August 28, 2003 Rate Case Forecast	\$ -	\$ -	\$ 1.4	\$ 1.5	\$ -	\$ -	\$ 0.5	\$ 0.7	\$ 0.5	\$ 0.7	\$ 0.5
FY03: Actual v. Aug. 28, 2003 Forecast											
Biological Opinions in FY 2000 and continued implementation of NWPA program resulted in an increase in the program expense budget from \$100 million per											
Drivers of Change											
FY01-03 v. FY04-06: Actual v. Current 2004 Update											
Drivers of Change											
FY04-06: Aug. 28, 2003 Forecast v. Current 2004 Update											
A few High Priority and Action Plan projects did not conclude in FY 2003, and are continuing into FY 2004.											
Forecast Risk											
BiOp remand Sub-Basin Planning											
Opportunities for Improvement											
Project Management Improvement effort, Implementation of Budgeting Rules, Sound Financial Management											



What We Have Done

- **Refine the Goals:**

- Beginning in FY 2000 – BiOp led to Performance Standards, Creating a Vision.
- Advance the Idea of Performance-Based Approach Under NWPA.

- **Improve Implementation:**

- Contracting Improvements.
- Program Management in FY 2004.
- Project Management Improvement.



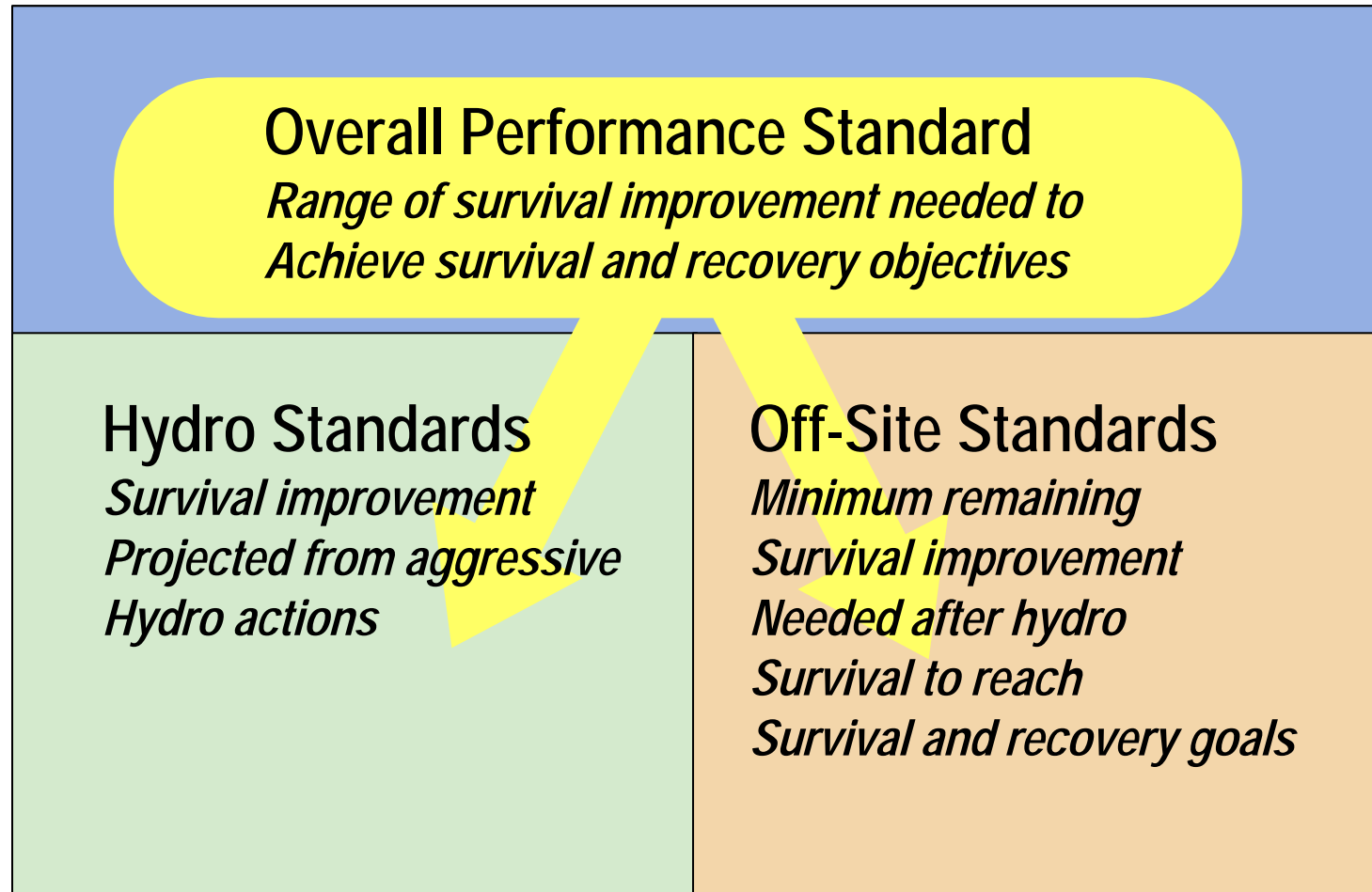
Refine the Goals: The Need for Performance Standards

- Performance standards can recognize BPA's broad responsibility for F&W under NWPA and ESA.
- Performance standards can provide clear and consistent measures of success.
- Performance standards can help focus priority actions and needed results.
- Performance standards can help delineate responsibility between FCRPS and others.



Refine the Goals: 2000 BiOp Included Performance Standards

(Subject to revision in current remand process)





Refine the Goals: Defining NWPA Obligations

- **Objectives:**
 - Principled approach to defining Post-2006 cost levels.
 - Ability to clearly demonstrate the desired outcomes and both current and past accomplishment of the program.
 - Ability to implement least cost planning and to leverage against other funding sources.
 - Clear goals and priorities.



Improve Implementation: Contracting Improvement

- In FY 2003, we began a contracting improvement process, developed a contracting manual, finalized in November 2003, and held a series of workshops with our contractors.
- The effort should create more standardization and a more streamlined process.



Improve Implementation: Program Management in FY 2004

2003 Issues:

- Lack of consistent project budget and actuals data.
- 2002 costs accrued in 2003.
- Small percent of spending caps in place.
- Lack of active Project Management.

2004 Issues:

- BPA has developed and will maintain single budget and actuals documents.
- Full booking of 2003 EOY accruals:
 - Tracking of 2003 invoices relative to accruals.
 - Ninety (90) day invoicing policy.
 - Spending Caps in place on all contracts by May 2004.
- Reorganization:
 - Budget to Actuals Report.
 - Weekly COTR meetings.
 - Project Management effort.



Improve Implementation: Project Improvement Effort

There are three (3) main areas of focus:

- *Opportunity One:*
 - Provide “Everything Under the Sun” guidance to make the work of the project manager less confusing, more efficient, and consistent.

- *Opportunity Two:*
 - Define the roles and responsibilities of key parties, part of a necessary step in creating project management guidance.

- *Opportunity Three:*
 - Structure our organization to enable better sharing of information between PM’s, clear owners of internal processes, greater application of our strengths
 - Support for our weaknesses.