



Issues '98

June 1998

Fact Sheet #2: Future fish and wildlife funding - keeping the options open

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We are inviting you to participate in Issues '98. This is a public process designed to give you an overview of and a context for major policy issues surrounding BPA's future. Your input will help BPA develop planning assumptions for our power and transmission rate cases. With the exception of cost cutting recommendations, Issues '98 will not be a decision-making process by BPA. Instead, your comments will help inform decisions made in other forums, both within the region and by Congress. This fact sheet focuses on just one set of the broad issues that will be considered. To learn more about how to participate in Issues '98 or for more information on other issues, call (800) 622-4519.

One of the Bonneville Power Administration's fundamental responsibilities is to provide funds to "protect, mitigate and enhance" fish and wildlife resources in the Columbia River Basin. BPA is committed to meeting this obligation as well as its responsibilities under the Endangered Species Act. This *Fact Sheet* explains BPA's current assumptions about how it can meet these obligations during the 2002-2006¹ period.

Current financial obligation

During the current rate period (1997-2001), BPA has agreed to make available an average of \$252 million per year for fish and wildlife measures and to incur the additional financial impacts of changing its hydropower operations in accordance with biological opinions issued by the National Marine Fisheries Service and the U.S. Fish and Wildlife Service on endangered salmon and steelhead populations. The financial impact of these operations is expected to average \$180 million per year through the remainder of this period.

Potential financial obligations for fish and wildlife in 2002-2006

BPA is committed to a public process that is examining what future fish and wildlife program levels should be and how those levels should be met. Participants in this process include tribal governments, federal and state agencies, environmental groups, utilities, industry associations, and public interest

groups. This breadth of interest reflects the fact that the consequences of these expenditures could affect virtually everyone in the region.

BPA is working through this process to estimate the range of potential fish and wildlife costs² for the 2002-2006 period and beyond. This is not an easy task. There are many ideas for actions that could be taken to benefit fish and wildlife, and the science underlying some of them is not yet clear.

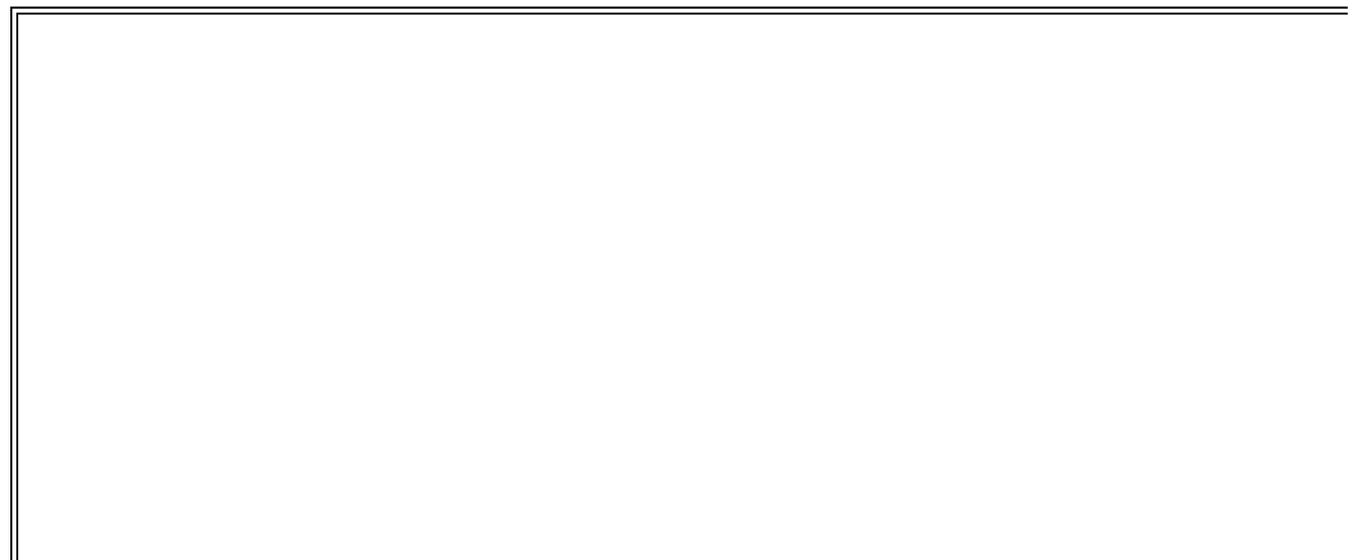
In recent public meetings held throughout the region beginning in November 1997 and scheduled to continue through July, BPA has heard that consensus is not likely to be achieved soon concerning what measures should be implemented for fish and wildlife in the 2002-2006 period. Until a decision is made on 2002-2006 measures, many participants do not want actions taken that would preclude major options for 2002-2006. BPA therefore must plan to provide for its fish and wildlife obligations in a flexible way, so that it preserves the ability to cover the range of its potential 2002-2006 funding obligations. This approach is what BPA refers to as its strategy for “keeping the options open,” discussed further below.

The uncertainty of future fish and wildlife costs is only one of many financial risk factors confronting BPA. Others include the variability of streamflows, power markets, regulatory change, and a host of other factors. But, as we’ll see below, fish and wildlife costs are likely to be a very significant factor.

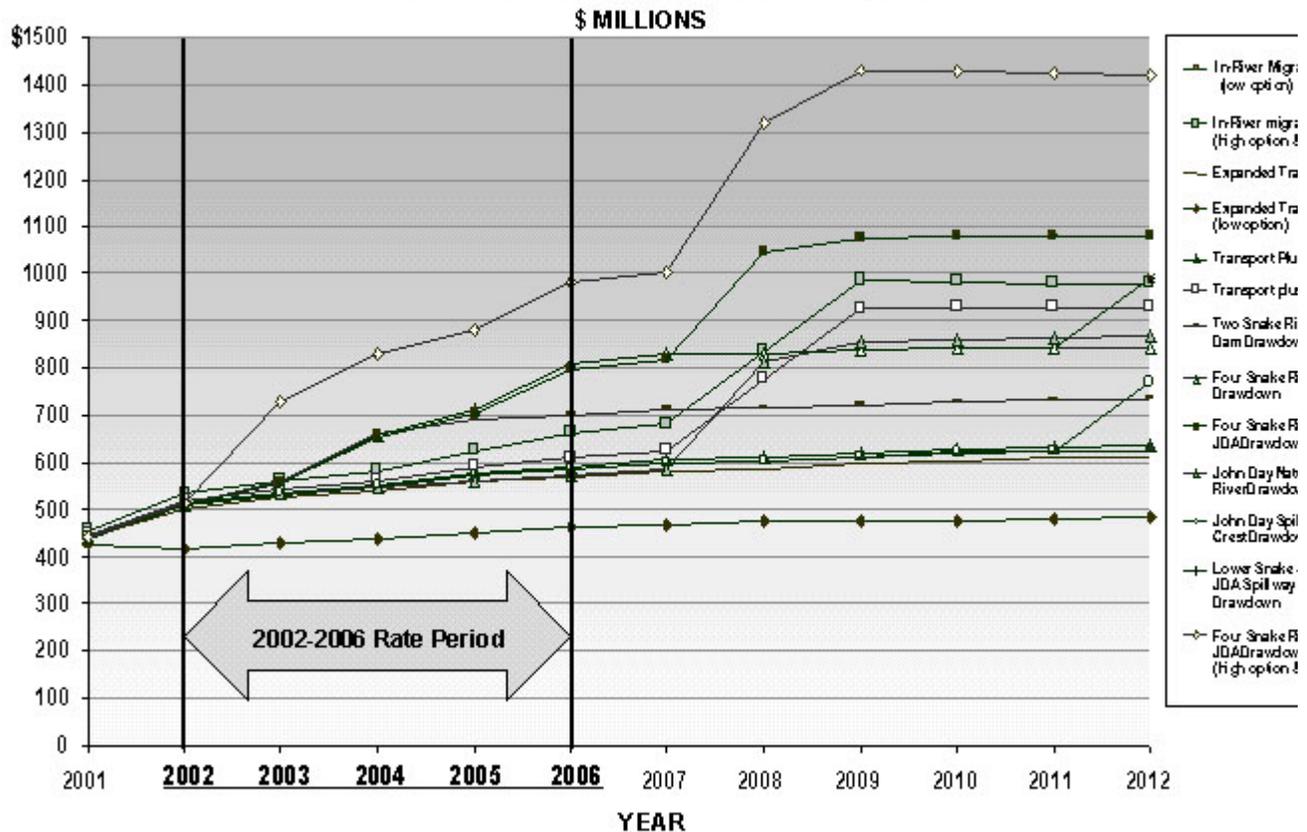
There are four components of fish and wildlife program costs²:

- Direct program expenses, such as habitat projects, new hatcheries and fish research;
- “Reimbursable” expenses of other federal agencies paid by BPA, such as the operation and maintenance of fish facilities at mainstem dams and the Lower Snake River hatchery system;
- Capital repayment, for capital improvements that have been made at the federal dams to aid fish passage; and
- Operations impacts, which include revenue losses from reduced power production and costs of replacement power due to spill and flow augmentation.

The chart shows the costs of 13 alternatives that have been suggested for fish and wildlife mitigation and enhancement by a subcommittee of senior staff participating in the Three Sovereigns process, comprising tribal, state and federal representatives. These estimates are not final and are likely to continue to change. Since some decisions affecting these future costs will not be made until 1999 and beyond, certainty and precision are simply not possible now.



Range of Potential Fish and Wildlife Program Costs (Including Operations Impacts)



The range of potential costs shown in the chart goes from an average of \$440 million per year to an average of \$785 million per year over the 2002-2006 period.

Several things should be noted about the chart:

- The costs shown are still subject to change.
- Each line on the chart represents a distinct proposal submitted to a regional working group.
- No attempt has been made by BPA to compare the biological effects of these alternatives.
- No alternative has been chosen as a preferred alternative.
- The time period of BPA's immediate interest is the subscription period: 2002-2006. But it is also important to note how the different proposals could play out beyond 2006.
- Schedule changes could have significant effects on financial impacts in the 2002-2006 period.
- Some alternatives require major reconfiguration of the hydro system – e.g., breaching of four lower Snake River dams and John Day Dam.
- Many of the alternatives would require Congressional action in order to be implemented.
- Any decision on breaching dams is not scheduled until at least December 1999; the largest financial impacts of the breaching alternatives would generally not be felt until after 2006.
- These estimates provide an “apples-to-apples” comparison with BPA's obligation in 1997-2001 to cover costs of \$252 million per year plus operations impacts of about \$180 million per year.

BPA's strategy for managing the risk of “keeping the options open”

BPA will meet its fish and wildlife obligations, regardless of where the costs fall within the range of options being developed. But how it meets these obligations is tied to how it manages its entire set of financial risks. *How, then, will BPA manage the financial uncertainty of fish and wildlife costs in the context of meeting its other financial obligations and what effect will this have on the agency's ability to make its payments to the U.S. Treasury?*

The essential elements of BPA's approach to keeping the options open for fish and wildlife funding are:

- Play an active role in the public process that is addressing the issue and encourage others to participate in it.
- Acknowledge that future fish and wildlife financial impacts may span a wide range.
- Provide assurances that BPA will meet its fish and wildlife obligations, recognizing that, in some circumstances, BPA's Treasury payments are what are at risk. (See [Risk Management Fact Sheet](#).)
- Work with regional stakeholders to ensure that estimates of future costs represent solid value for the dollar and are based on good science.
- Establish a base level for fish and wildlife cost obligations that seem reasonably certain, plus a band of uncertainty that represents a reasonable range of possible outcomes.
- Put a financial risk management strategy in place that:
 1. Employs a set of risk management mechanisms to provide a high level of assurance that BPA will meet all of its obligations, including its fish and wildlife obligations, given the uncertainties BPA is facing, including the range of possible fish and wildlife outcomes. The litmus test of this assurance is the probability that BPA will pay its last-creditor-in-line in full and on time every year of the rate period. By law, this creditor is the U.S. Treasury; BPA must pay all its other costs each year before it makes its principal and interest payment to Treasury on the original investment in the federal power system.
 2. Positions BPA to earn significant net revenues in the 2002-2006 period if market prices are high in that period. This will give BPA the financial strength to meet its post-2006 obligations.

The reader is encouraged to read the companion [fact sheet on Risk Management](#) to get more detailed information on BPA's approach and framework for managing risk to provide the U.S. Treasury a high level of assurance that BPA will meet all of its financial obligations.

BPA remains committed to fulfilling its responsibilities to protect and enhance the fish and wildlife resources of the Columbia Basin. BPA is confident that, with the resources and management capabilities it has available, it can meet these responsibilities.

(1) This describes federal fiscal years 2002-2006.

(2) Sometimes all of the financial impacts from BPA's fish and wildlife program are described as "costs." However, certain measures such as flow augmentation and spill do not involve cash outlays, although they do reduce BPA's potential revenues. Measures of this kind are more correctly described as "financial impacts" rather than "costs."

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