Department of Energy

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

ENVIRONMENT, FISH AND WILDLIFE

December 31, 2002

In reply refer to: KEW-4

Dear Fish and Wildlife Contractor:

I want you to know that Bonneville Power Administration (Bonneville) truly appreciates the value of the work you do for the region's fish and wildlife. As you have now heard, Bonneville has asked the Northwest Power Planning Council (Council) to lead an effort and partner with Bonneville and the region's fish and wildlife managers to manage fish and wildlife spending in the Integrated Fish and Wildlife Program (Program) so as not to exceed $139 million in expense in Fiscal Year (FY) 2003. Bonneville is maintaining its commitment to meeting its statutory and treaty responsibilities including its fish and wildlife responsibilities.

Bonneville has also asked the Council to prioritize program implementation to provide information to guide Bonneville spending if it is necessary to spend less than $139 million in expense annually through the 2003-2006 period.[1] On December 20, 2002, the Council responded to Bonneville's request and committed to work with Bonneville to manage fish and wildlife spending levels in 2003 to ensure that an average of $139 million per year in expense is expended, which is consistent with the commitments made by Bonneville in a December 3, 2001 letter from Administrator Steve Wright to Council Chair Larry Cassidy (http://www.efw.bpa.gov/cgi-bin/FW/budgetandcontractrenewal_fy03.cgi).

We appreciate the Council's willingness to work with Bonneville to address the current financial crisis that the agency faces and look forward to an open, public process to arrive at the difficult decision of reprioritization of the expenditures within the Program.

In order to provide context for this situation facing the Program, it is important to understand that Bonneville is facing an unprecedented financial challenge. If no action is taken, the agency could be facing a $1.2 billion deficit by the end of this rate period in 2006. To date, Bonneville has managed to roll back its internal operating costs and other program costs to 2001 levels saving about $350 million over the next four years.

So far, there have been no significant cuts in our fish and wildlife funding which includes operations of the hydrosystem to benefit fish passage, capital facilities at the Federal dams to enhance fish passage, and direct funding of operation and maintenance of Corps of Engineers, Bureau of Reclamation, and U.S. Fish and Wildlife Service fish facilities connected to the Federal Columbia River Power System (FCRPS) as well as the Council's Program.

[1] The capital portion of the fish and wildlife program makes up to $36 million available for capital projects.

In order to keep an appropriate level of budget flexibility to implement the outcome of the Council-led reprioritization process and to ensure that expense spending for the Program does not exceed $139 million in FY 2003, Bonneville has considered a number of alternatives including short-term contracting as well as reduced levels of contracting. We have heard from a number of project sponsors that short-term contracting is time and labor intensive and that the negotiation involved in short-term contracts conflicts with demands on their time needed to engage in the reprioritization process. We have also heard concern on the part of some Council members that standardized short-term reductions in project budgets may not be aligned with the need to accomplish project work that is time sensitive. In consideration of the Council's acceptance of Bonneville's request to lead a reprioritization process and commitment by the fish and wildlife managers to participate actively in that process, Bonneville will not pursue short-term contract renewals at this time. Bonneville is willing to take some risk in this area because the full and undistracted participation of the Council and the fish and wildlife managers is important to the success of this very important prioritization process. It should be noted, however, that all contracts to implement the Program may be subject to modification immediately following the reprioritization process led by the Council in order to implement the recommendations and to do so within the available funding. In the interim, we are adopting the following actions until the conclusion of the Council's process (February 21, 2003):

- Placing all land or easement purchases on hold. Bonneville will make every effort to work with project sponsors to find ways to preserve the option of completing the purchase at a future time;
- Renewing contracts:
    - For a 12 month period (with contract language that states that the contract will be subject to modification or termination pending the outcome of the reprioritization process);
    - Using the Council's recommended FY 2003 budget as adjusted by Bonneville's contract renewal guidance of November 20, 2002 (http://www.efw.bpa.gov/cgi-bin/FW/budgetandcontractrenewal_fy03.cgi);
    - When no FY 2003 budget recommendation exists, using the FY 2002 budget as recommended by the Council; and,
    - Requiring a contract exhibit describing the contractor's best estimate of projected accruals for the project on a monthly basis.
- No new contract starts with very limited exceptions – i.e., only in the event the contract addresses a time critical requirement of the National Marine Fisheries Service FCRPS Biological Opinion 2003 check-in.

Bonneville will closely monitor the pace of contract accruals and in the event accruals escalate beyond the pace expected, will consult with the Council promptly regarding any additional interim actions that may be required.

In recognition of the fact that some contract renewals during the month of December may not be executed when contracts expire due to the recent uncertainty regarding Bonneville's interim contracting

procedures, I have advised Bonneville's Contracting Officers to provide written authorization for implementation actions to proceed during a short period pending contract execution. Please note that Bonneville fish and wildlife project managers acting as Contracting Officer's Technical Representatives (COTR) are not able to give such authorization; only Contracting Officers may provide authorization.

Also, in recognition of the need to improve contract management both on the part of Bonneville and on the part of project sponsors, we provide the following notice that will be applicable to all contract actions. The following policy is consistent with the Bonneville Purchasing Instructions Manual.

Please be advised that effective March 1, 2003:

- Contractors will not be allowed to perform work without a fully executed contract (signed by both parties);
- In the rare instance that an exception is allowed, a contractor may not begin work without express written permission from a Bonneville Contracting Officer; and,
- Any costs incurred by a contractor prior to receipt of a fully executed contract or written permission to proceed from a Bonneville Contracting Officer are the sole responsibility of the contractor. Bonneville will not reimburse the contractor for these costs.

Once again, I want to reiterate the significant value that Bonneville places on your efforts to provide high quality fish and wildlife actions for fish and wildlife affected by the FCRPS.

If you have any questions, please contact your Bonneville project manager (COTR).

Sincerely,

Sarah R. McNary
Director for Fish and Wildlife

Enclosures (2)

cc:
Mr. Frank L. Cassidy, Northwest Power Planning Council
Mr. Doug Marker, Northwest Power Planning Council
Ms. Jann Eckman, Columbia Basin Fish and Wildlife Authority
Mr. Brian Brown, National Marine Fisheries Service
Mr. William Shake, U.S. Fish and Wildlife Service