

Lower Snake River Fish & Wildlife Compensation Plan



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Topics

- Legislative History
- Goals & Benefits
- Conservation Actions
- Operations
- Budget
 - History
 - Operations
 - Non-recurring maintenance
 - Equipment
 - Summary
- Pending Legal Obligations



Legislative History

- Public Law 85-264(1958): Required the U.S. Army Corps of Engineers (COE) to develop a plan to compensate for fish & wildlife losses caused by construction & operation of the four Lower Snake River dams.
- Public Law 94-587 (1976): Authorized construction & operation of the LSRCP in accordance with the COE plan.
- Public Law 103-672 (1995): Authorized construction of fall Chinook acclimation facilities to support conservation efforts.
- LSRCP funding is “a Power Related Expenses” i.e. an inherent cost of operating the four dams.

Goals

- Locating hatcheries guided by desire to replace lost salmon, steelhead & trout “in place and in kind”.
- Goals for adult return above Lower Granite Dam
 - Fall Chinook Salmon – 18,300
 - Spring Chinook – 58,700
 - Steelhead – 55,100
 - Rainbow Trout: 86,000 lbs (about 215,000 fish)
- Anticipated benefits (COE cost/benefit study):
 - 817,000 days of recreational fishing (150,000 fish harvest),
 - 260,000 coastwide commercial harvest.

LSRCP Conservation Activities

- Developing endemic local broodstocks
 - Grande Ronde spring Chinook,
 - Tucannon & Touchet steelhead.
- Juvenile supplementation strategies – increase natural stock abundance & distribution:
 - Not marked with adipose clip,
 - Released in locations where returning adults can spawn naturally,
 - 56% of fall Chinook,
 - 20% of steelhead,
 - 7% of spring Chinook.
- Adult supplementation - increase abundance & distribution.

Operational Overview

- COE constructed facilities.
- FWS owns facilities & administers program.
- States, tribes & FWS operate facilities & evaluate program.
- BPA funds LSRCF through Memoranda of Agreement.

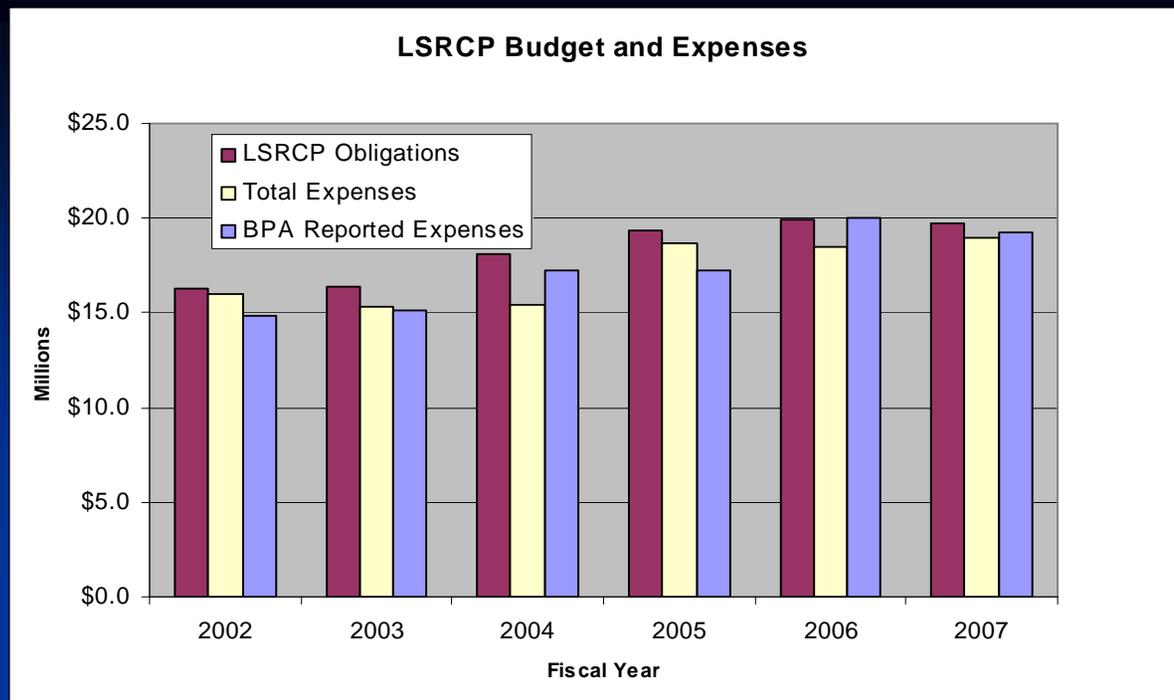
FY 10 – FY 11

Budget

LSRCP Budget Development for FY 10-FY11

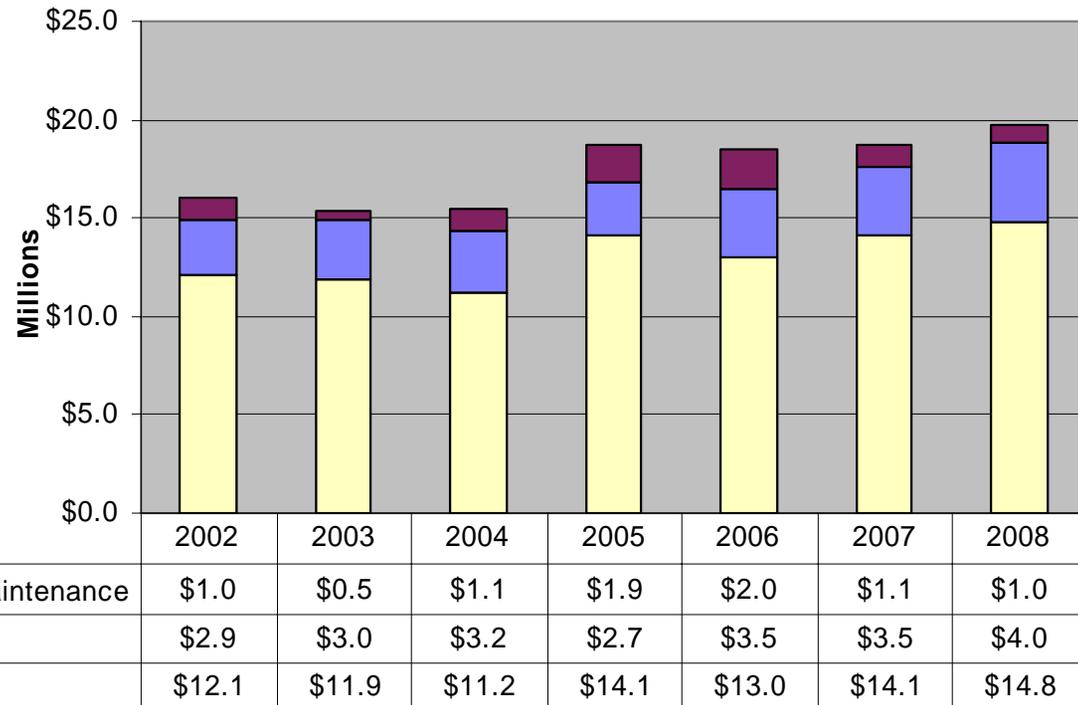
- History FY 02 – FY 07 Budgets
- Factors & Assumptions
- Operations Budget
- Non-Recurring Maintenance
- Equipment
- Forecasted Total

Budget History



- Three ways to examine budget
- Prior to FY 06 LSRCP obligations were 2% greater than planned expenses.
- In FY 06 obligations were reduced to match actual needs.
- Differences between obligations & expenses for FY 06 and 07 are result of:
 - BPA desire to move nonrecurring maintenance costs to FY 07 – 09 period.
 - LSRCP desire to delay expending limited nonrecurring maintenance funds.

LSRCP Total Expenses for a Fiscal Years's Obligation

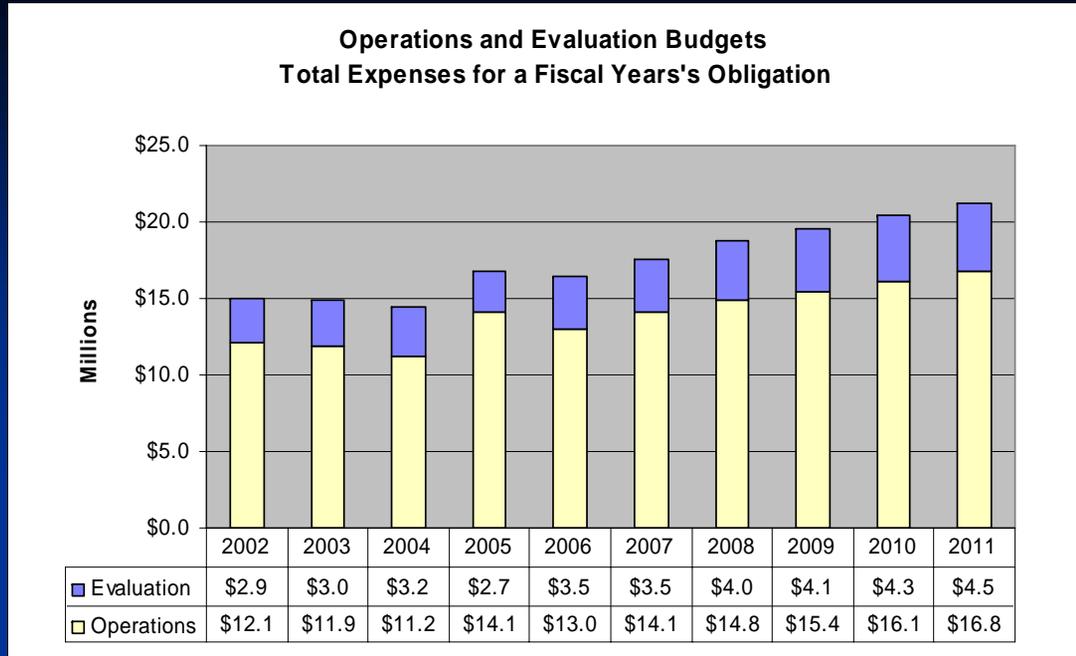


- Apparent large increase in costs between FY 04 and FY 05 related to forcing all cooperators to adhere to a common fiscal year.
- Aggressive cost containment first evident in FY 06.
- Actual inflation between FY 06 and FY 08 is 6%.
- FY 08 is an estimate.

**FORECASTED
FY 10- FY 11
OPERATING BUDGET**

FY 10 -11 Operations Budget Assumptions

- Generally stable program.
- FWS will continue aggressive cost containment.
- High inflation rate seen in FY 06 – 08 for fish food, energy, commodities, health insurance and salaries of 6% will moderate.
- Assumed inflation rate is 4.25%.
- Assume that 75% expenses accrue in current year and 25% in following year.
- Efforts to close books quickly could skew accruals higher to current year / current rate case period (FY 07-09)
- FWS will limit total actual expenses for FY 07 - 09 obligation years to agreed maximum of \$59.243 million. If accruals shift earlier into the FY 07 – 09 period, the same, but a lower amount will accrue in FY 10-11 and costs will be neutral over time.



- FY 02 – 07 Actual Expenses
- FY 08 Assumes current obligations are fully expended.
- FY 09 – 11 assumes 4.25% inflation & that all funds obligated are fully expended.
- All expenses are shown regardless of fiscal year of accrual.

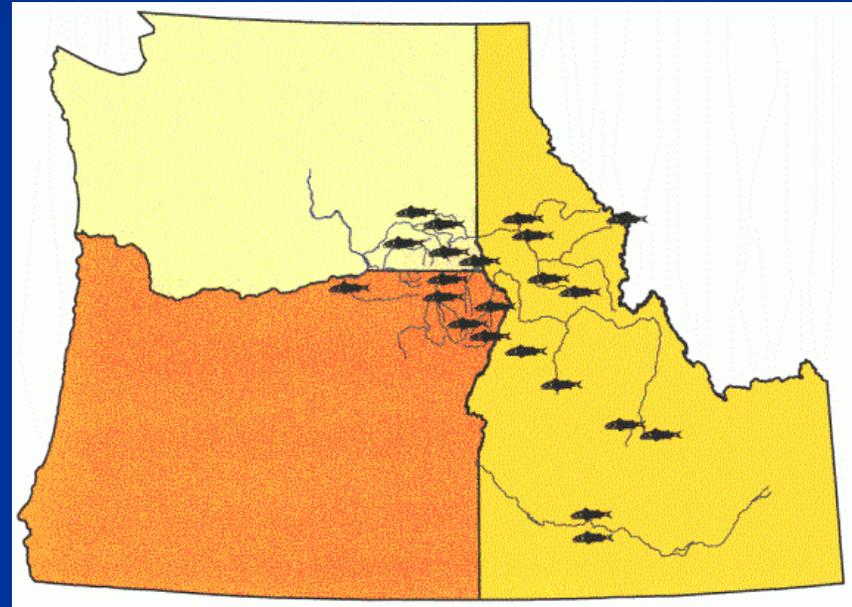
**FY 10 – FY 11
Nonrecurring
Maintenance**

Nonrecurring Maintenance Budget

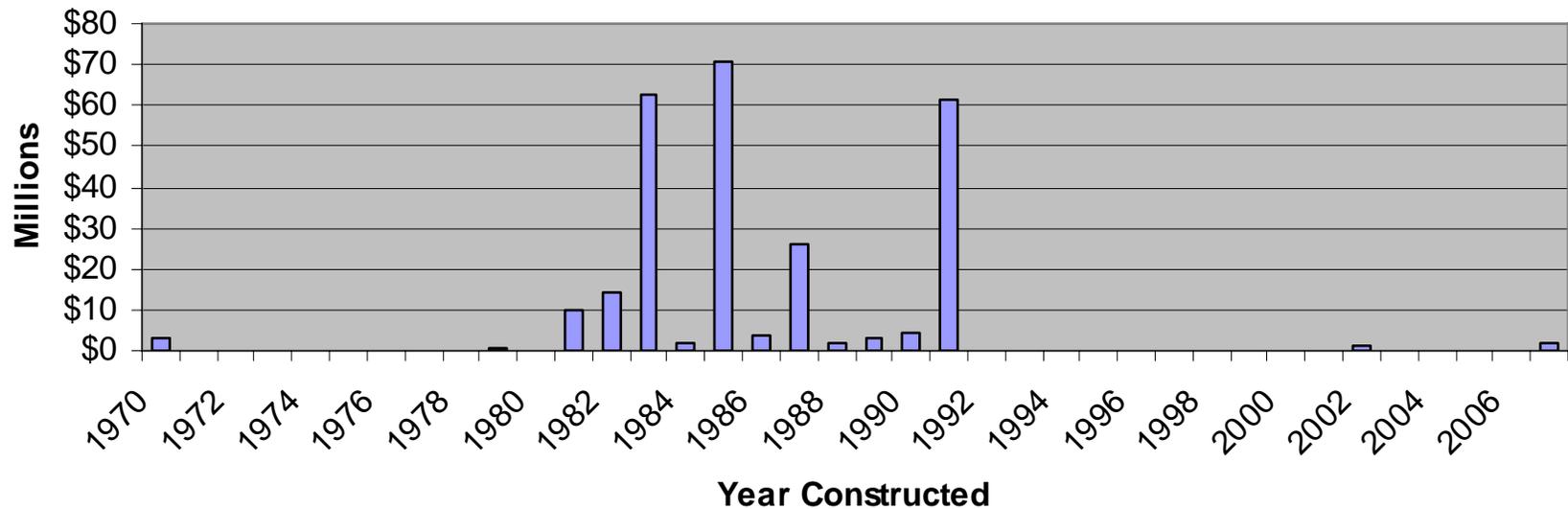
- LSRCP assets
- Background from FY 07 – 09 Rate Case
- How Needs are Assessed
- How Projects are Prioritized
- What is Included
- Current Backlog
- Action Plan

LSRCP Hatcheries & Labs

- Oregon
 - Lookingglass (Imnaha)
 - Wallow (LSC,BC)
 - Irrigon
- Washington
 - Lyons Ferry (Cotton & DP)
 - Tucannon (Curl Lk)
 - Snake River Lab
- Idaho
 - Clearwater (CR, Red, Powell)
 - Magic Valley
 - Hagerman NFH
 - McCall (S. Fork)
 - Sawtooth (E. Fork)
 - Capt J. - Pitt. & Big Canyon
 - Dworshak (joint with COE)
 - Idaho Fish Health Lab



Present Value of LSRCP Real Property



- 26 Facilities located in three states
- Present value of assets (less land) is \$265 million.
- Most (75%) built in 1980's now 20+ years old.
- Maintenance is an inherent cost of ownership and public trust

Lyons Ferry Hatchery



Background

FY 07 - 09 Rate Case

- FY 07 – 09 Rate Case – three scenarios proposed varying amounts (none to FWS recommended).
- Final nonrecurring maintenance budget was \$1.2 million/yr less than FWS recommended.
 - FWS and BPA exchanged letters.
 - FWS emphasizing need for more funding.
 - BPA emphasized need for better understanding of FWS nonrecurring maintenance program.
- FWS has worked hard to explain & document nonrecurring maintenance program to BPA thru JMC.
- Actual amount provided only about \$2.2 million.

A Structured Approach to Assessing Needs

- Annual Condition Assessments
- Safety Inspections
- Seismic Surveys
- Bridge Inspections
- Environmental Compliance Audits
- ADA Inspections
- ESA Consultations (fish passage, screening)
- Other State & Federal Legal Compliance Audits

Prioritizing Projects

- All projects ranked through a formal process:
 - Importance of asset
 - Substitutability of asset
 - Human safety
 - Fish Security
 - ADA compliance
 - ESA compliance
 - Environmental compliance
 - Risk of further deterioration
 - Energy efficiency
 - Visitor services
- General application is to ensure human safety, fish security and legal obligations are met first.

Program Components

- Deferred – fix broken items
- Preventative – minimize untimely failures of mission critical assets
- Corrective – meet current standards (e.g. ESA)
- Improvements – meet current mission needs
- Some Routine Maintenance – LSRCPP purchase to save agency overhead.

Current Backlog

Deferred Maintenance	\$2.79 million
Corrective Maintenance	\$1.30 million
Preventative Maintenance	\$1.01 million
Facility Improvements	\$0.33 million
Routine Maintenance	\$0.17 million
Total	\$5.60 million

FWS Action Plan

FY 10 –FY 11

- Eliminate backlog.
- Plan for untimely breakdowns.
- If critical breakdowns occur that exceed funds, reprioritize to the extent advisable, if necessary seek re-opener per MOA.
- Initiate comprehensive preventative maintenance program beginning in FY 12 – assuming backlog eliminated.

Forecasted FY 10 -11 Budget

- Current Back Log \$ 5.60 m
- Minus FY 08 – 09 Projects - \$ 1.09 m
- FY 10 – 11 Backlog \$4.51 m

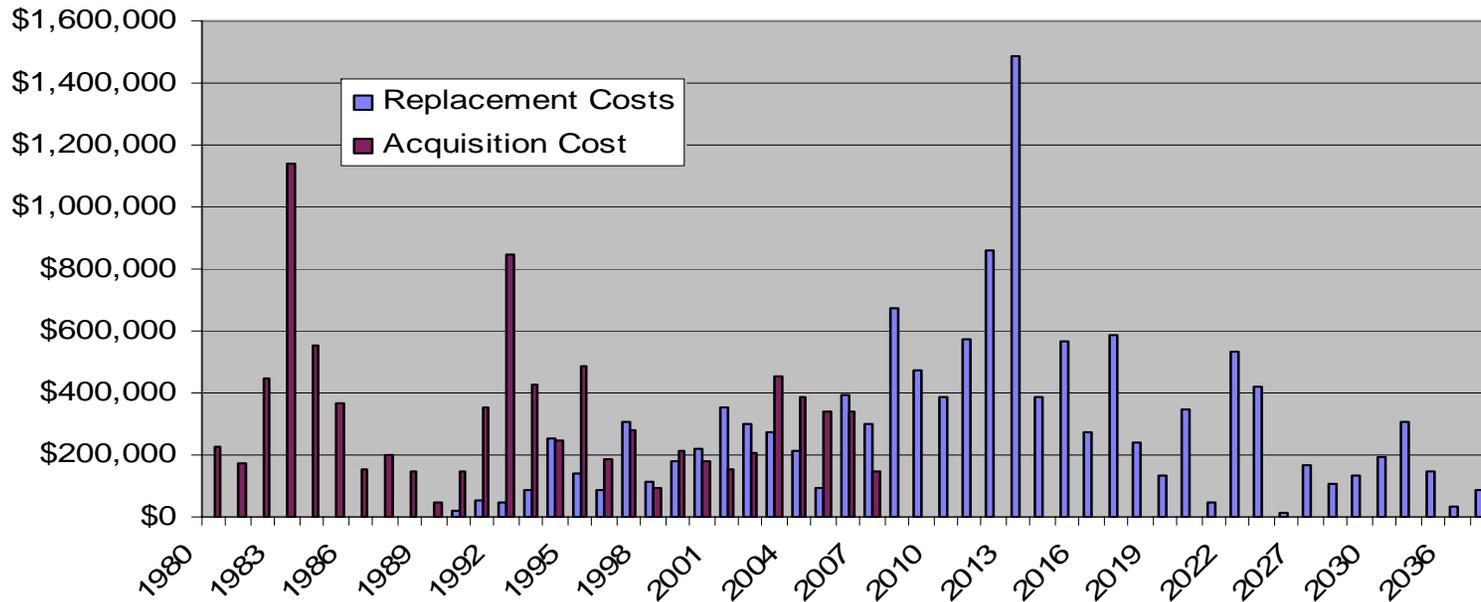
- Untimely Breakdowns FY 10-11 \$ 0.6 m
- Routine Maintenance..... \$ 0.01 m
- **FY 10 -11 Total Need\$ 5.12 m**

EQUIPMENT

LSRCP Equipment

Category	Useful Life	Cost (Replace)
Fish Tanks	25 -30 Years	\$ 3.87 million
Vehicles	7 Years	\$ 1.53 million
Heavy Equipment	25 -30 Years	\$ 1.50 million
Field Equipment	10-20 Years	\$ 1.45 million
Scientific Equip.	12- 15 Years	\$ 0.90 million
Tools	12 – 15 Years	\$ 0.36 million
Office Electronics	5 – 8 Years	\$ 0.27 million
Misc.	15 years	\$ 0.16 million
Total		\$ 10.4 million

LSRCP Equipment Acquisition and Replacement Costs by Year



- Deferred replacement of \$3.3 million thru FY 08
- Substantial costs to replace ageing equipment will occur over next 10 years.

Replacement Decisions

- Current needs assessment
- Actual condition
- Consequence of failure (human & fish Safety)
- Maintenance vs. replacement cost comparison
- Substitutability
- Facility sharing
- New vs. used vs. surplus

FY 10 -11 Forecasted equipment Needs

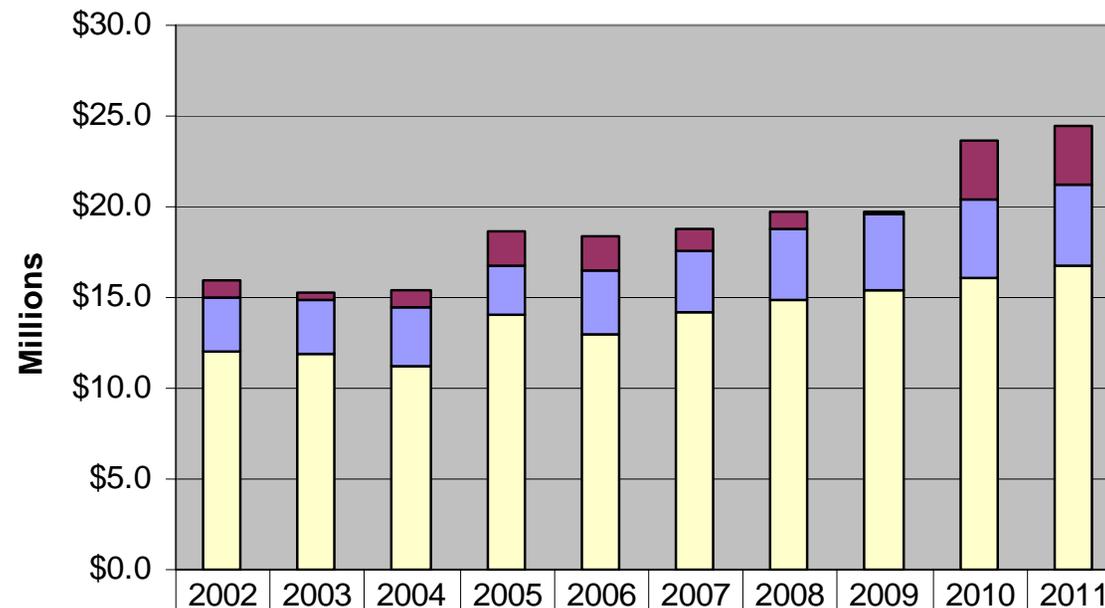
- Prioritize FY 08 – 09 projects to meet available funds.
- Estimated carry forward shortfall \$0.33 m
- Replace 10% of backlog per year \$0.66 m
- Replace FY10 - FY11 on schedule \$0.28 m
- Total Need \$1.27 m

SUMMARY

Summary FY 10 - 11
Forecasted Total Expenses for a Fiscal Year's
Obligations

Category	FY 10	FY 11
Operations	\$16.08 m	\$16.77 m
Evaluation	\$ 4.32 m	\$ 4.51 m
Non-recurring maintenance	\$ 2.56 m	\$ 2.56 m
Equipment	\$ 0.64 m	\$ 0.64 m
Total	\$23.60 m	\$24.48 m

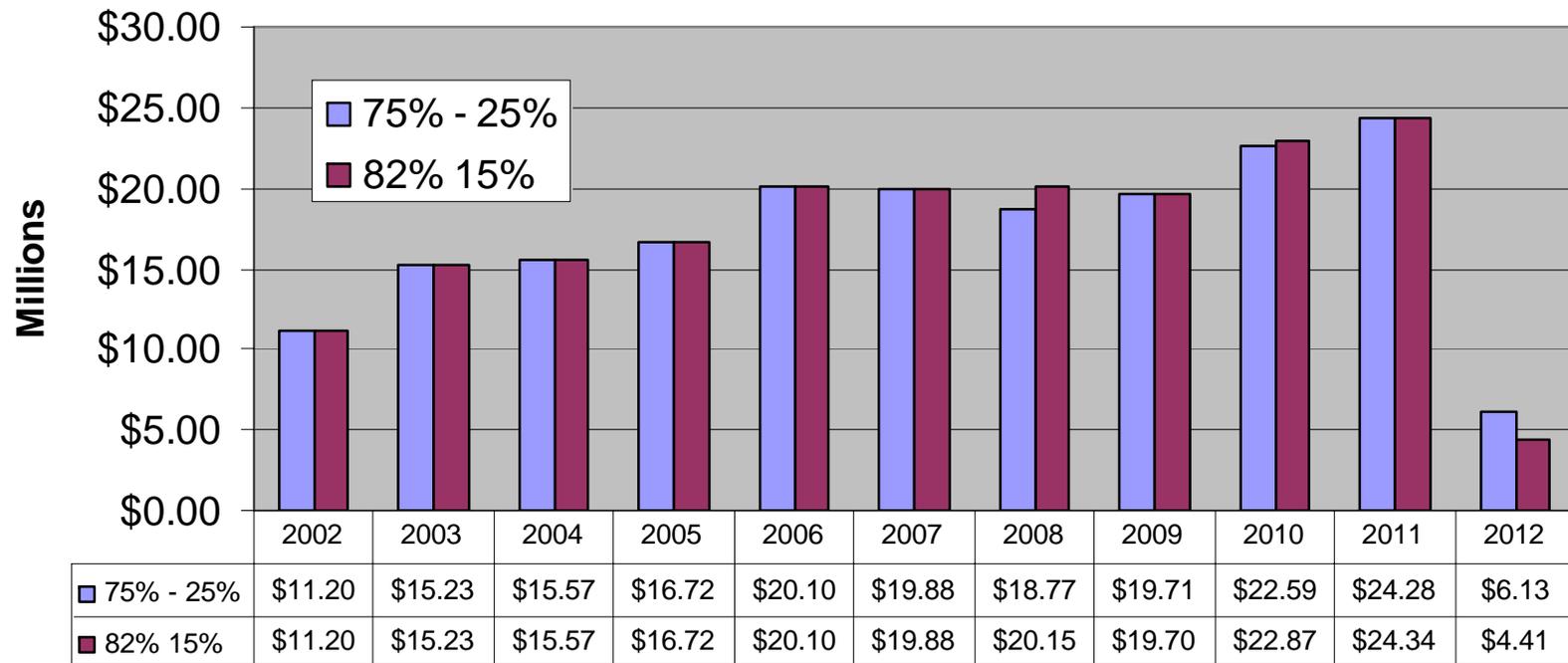
LSRCP Total Expenses for a Fiscal Years's Obligation



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
■ NonRecurring Maintenance	\$1.0	\$0.5	\$1.1	\$1.9	\$2.0	\$1.1	\$1.0	\$0.1	\$3.2	\$3.2
■ Evaluation	\$2.9	\$3.0	\$3.2	\$2.7	\$3.5	\$3.5	\$4.0	\$4.1	\$4.3	\$4.5
■ Operations	\$12.1	\$11.9	\$11.2	\$14.1	\$13.0	\$14.1	\$14.8	\$15.4	\$16.1	\$16.8

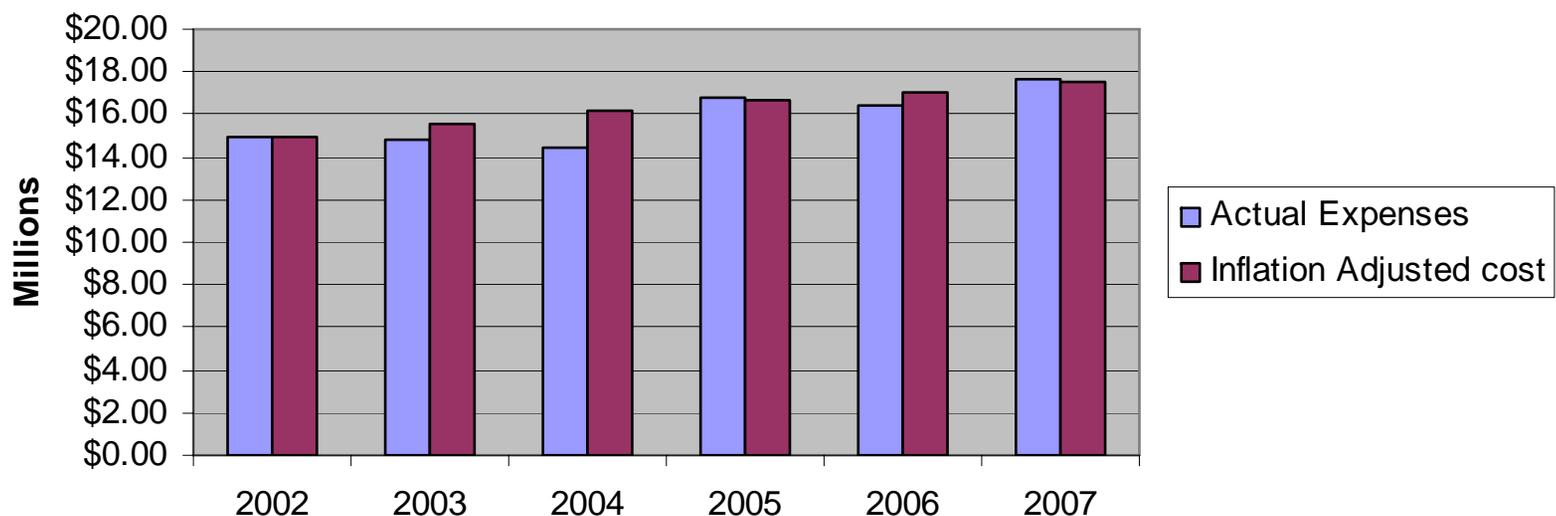
- FWS believes FY 10 – 11 budget reflects realistic and reasonable effort to:
 - Address nonrecurring maintenance and equipment needs while,
 - Control ongoing operation costs required to meet mitigation responsibilities.

Comparison of BPA Expenditures with Varying Accrual Patterns



- 2007 and earlier years are actual values
- Most notable differences are 2008 & 2012

Comparison of Actual Operational Expenses to Inflation Adjusted Costs beginning in 2002



- In 2002 LSRCOP expenses for operations and evaluation was \$14.96 million.
- By 2007 general inflation raised the costs to pay for the same program to \$17.5.
- The LSRCOP expenses in 2007 were only \$0.05 more than the inflation adjusted costs.

FWS has been a good steward of rate payer funds.

- **Annual Savings from Aggressive Cost Containment**
 - Waiver of full FWS overhead - \$0.3 million / year.
 - Aggressive cost containment by purchasing items for state & tribal agencies to save overhead & sales taxes.
 - Supplies & utilities – \$ 0.9 million /yr
 - Construction & equipment - \$0.15 Million / yr
 - Total annual Savings – \$ 1.35 Million/yr.
- Expenses for operations in 2007 was the same amount (adjusted for general inflation) as in 2002.
- FWS believes we have addressed BPA concerns and can now move forward to present the public a unified approach during the upcoming Rate Case.

ESA & Other Legal Obligations

- Hydro System RPA's
- Best Management Practices (Hatchery Reform & Site Specific Section 7 Consultations)
- US. Vs. Oregon Settlement Agreement
- Tribal Term Sheet (Not included)