B O N N E V I L L E   P O W E R   A D M I N I S T R A T I O N

Integrated Program Review

Closeout Report, October 2024

This document and the information contained within was made publicly available on October 23, 2024, and contains information sourced directly from BPA financial statements and other sources.

Letter from the Administrator

The Bonneville Power Administration (BPA) has concluded the BP-26 Integrated Program Review, forecasting program costs for the next rate period covering fiscal years 2026, 2027 and 2028. These forecast IPR costs serve as one input into the development of power and transmission rates.

This three-year rate period is designed to span the final years of long-term Regional Dialogue contracts. This will be a transformative time as we usher in a new era of long-term power sales agreements and make headway on other elements of our 2024-2028 Strategic Plan.

I appreciate the engagement and feedback from our customers, stakeholders and Tribes throughout the IPR process. Following the release of our initial forecast costs in June, we received 16 formal comments, which we considered thoroughly in developing these final cost projections.

In general, comments supported the increased cost forecasts and investments documented in our initial publication. Comments also urged us to remain focused on cost control and ensure our forecasts account for execution challenges. After further review, I am confident we have done so.

BPA also completed additional analysis to capture known changes. These resulted in a reduction in total forecast IPR expenses.

The most significant change from our initial publication is a $17.9 million reduction for the Columbia Generating Station IPR expense forecast to reflect that a portion of the fuel cost will be borrowed. These costs will be reflected in debt repayment, rather than in operations and maintenance expense. BPA also updated the allocation rates for assigning Enterprise Services forecast expenses to Power and Transmission, based upon accounting analysis that was not available in time for the initial IPR forecasts, reducing them by $1.7 million.

The only increase from the initial IPR forecasts is a $2 million per year increase in Fish and Wildlife program expenses, which reflects the new memorandum of agreement with the Kalispel Tribe of Indians. More information is included within the introduction of the closeout report.

Thank you again for your engagement in our Integrated Program Review, and I look forward to working with you as we work to maintain competitive rates and remain the provider of choice for our customers.

Sincerely,

John L. Hairston

John L. Hairston
Administrator and Chief Executive Officer

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1 Introduction

BPA conducts the Integrated Program Review (IPR) process before each rate case to provide an opportunity for interested parties to review and comment on the projected estimates of program expenses and capital cost forecasts. The BP-26 IPR and Rate Case covers fiscal years (FY) 2026-2028 (hereafter referred to as the "upcoming rate period") to enable rate-setting through the end of the Regional Dialogue Contracts.

The cost estimates resulting from this process are one component of assumptions and factors that will be used to develop the power and transmission rates for the BP-26 Rate Case. All other costs considered in the rate-setting process, which are out of the IPR's scope, are shown in blue in Figure 1 below.

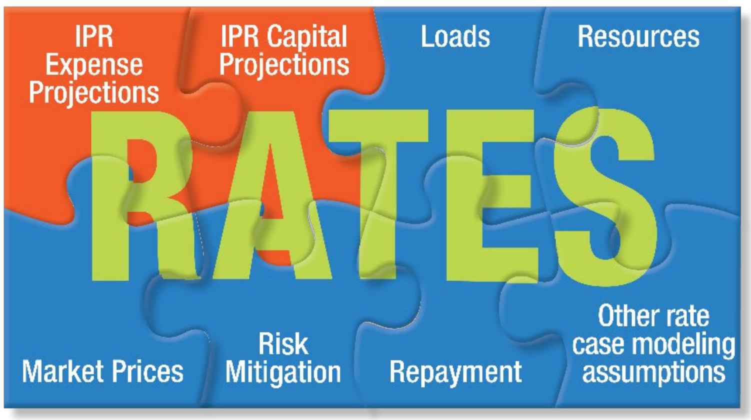

Figure 1: The Rate-Setting Process

The BP-26 Integrated Program Review started in June 2024 with the release of BPA's initial publication on forecast costs for FY 2026-2028, followed by a series of public workshops and a public comment period. After completing its review of those comments, BPA is sharing its best forecast of future costs in this document. These final IPR forecasts will be used in the BP-26 Rate Case and make up one of the many cost components included in BPA's rates. The BP-26 Initial Proposal will include all cost components and is currently planned for release in November 2024. Please see the BP-26 Rate Case page on BPA.gov for updates.

During this public review process, BPA received many thoughtful and thorough comments and is appreciative of the region's engagement in the process. The final forecast costs in this document reflect BPA's continued commitment to its mission and the 2024-2028 Strategic Plan, which underscores flexibility and adaptability in order to navigate this transformative time in the energy sector.

Changes from the initial IPR forecasts impact the following areas:

- The Columbia Generating Station expense forecast was reduced to reflect a plan to purchase some fuel components in advance. This reduction will be offset by an increase in debt repayment over the same period, which is not reflected in the IPR forecasts.
- Increases to expense and capital forecasts reflecting a new Fish and Wildlife (F&W) agreement signed after the initial IPR forecasts were developed.
- Changes to the annual timing of when BPA expects Conservation Purchases (expenses) to occur based upon historical trends. This change does not impact the total forecast, only the amount included in each year of the rate period.
- Impacts from updated allocation rates on Power Services and Transmission Services expense. Allocation rates are reviewed and adjusted based upon changes to cost drivers in advance of each rate case. For BP-26, these updates were completed after the initial IPR forecasts were published.

The summary impact of these updates results in a $17 million decrease to Power Services IPR expense forecasts and a $1 million decrease to Transmission Services expense forecasts (Table 1) and a $2 million increase in capital indirect costs on average over FY 2026-2028.

Table 1: Final IPR Expense Summary

($millions)	Average BP-24 Rate Case	Average BP-26 Initial IPR	Average BP-26 Final IPR	*Final IPR vs Rate Case Over (Under)*	*Final IPR vs Initial IPR Over (Under)*
Power IPR Expense	1,409	1,674	1,657	*248*	*(17)*
Transmission IPR Expense	594	775	774	*180*	*(1)*
Total	**2,003**	**2,449**	**2,431**	***428***	***(18)***

BPA has not made changes in response to public comments requesting the use of a lapse factor[1] or other general reduction of the increased forecasts for its expenses and capital costs. BPA is not including an additional lapse in response to these comments as both expense and capital forecasts have already been adjusted based on an analysis of BPA's historic execution rates[2]. As discussed in each of the sections below, forecast expenses have been reduced as a result of the inclusion of an execution-based lapse on hiring, resulting in an overall reduction of 4% of the IPR expense forecasts. Capital forecasts included in the IPR are the same forecasts shared in BPA's Strategic Asset Management Plans (SAMPs), which convert BPA's strategic plan objectives and asset management policy into long-term action plans for its assets and systems. The capital

[1] A percentage reduction to the forecast.

[2] Rates of actual expenditures compared to forecasted expenditures.

forecasts are the result of inputting known implementation constraints that reduced the SAMP "optimal" level forecast to the "expected" level forecast used in IPR.

2 Transmission Services

Transmission Services is committed to modernizing assets and operations, meeting customer needs efficiently and responsively, and sustaining financial health. With these three main principles in mind, Transmission Services ensures forecast costs are necessary to support safety, compliance, reliability and market transformation activities.

Final IPR forecasts for Transmission Services have decreased by $752,000[3] on average because of updates made to the allocation rates used during the IPR process.

BPA did not receive any public comments regarding specific elements of the Transmission Services IPR expense forecast, but some commenters did express general concern with the proposed increases. BPA has retained its initial IPR forecasts for Transmission aside from implementing updated allocation rates, which impact Aircraft Services and Enterprise Services G&A programs. BPA has also included both in the initial IPR forecasts and the final forecasts, a reduction to Transmission Services IPR expense forecasts of 10% to adjust for hiring execution risk on staffing levels.

BPA did receive public comments regarding historic under-execution of capital forecasts and commenters proposed using a lapse factor. BPA has chosen not to apply an additional lapse to Transmission Capital as the agency has seen a significant ramp up in execution rates and already built execution constraints into its forecast. BPA has continued to focus efforts on improving capital forecasting and execution. As part of this effort, BPA continued the practice, started in BP-24, of producing two separate forecasts as part of its SAMPs development.

While the "optimal forecast" includes all planned work, the "expected" forecast reflects that the execution of an asset management plan is not always possible and that constraints should be considered to adjust the plan in order to provide a realistic forecast that is executable based on known constraints. This practice addresses the reasons for using a lapse factor in the past. The "expected forecast" is therefore the one reflected in this IPR.

In addition, Transmission's efforts to improve execution capability increased significantly in BP-24, resulting in over-execution of capital compared to BP-24 rate estimates for capital expenditures. As adjustments have already been made to produce an executable forecast, an additional lapse factor will not be implemented.

[3] Table B-1 Transmission Services Detailed Expenses

3 Power Services

Power Services remains laser focused on executing BPA's mission and strategic plan. The products and services Power Services offers are changing as power customer needs are evolving and as they respond to clean energy mandates and decarbonization goals. Power Services is taking action by offering flexible, reliable and carbon-free power from the FCRPS. Power Services will continue to provide regional leadership in resource adequacy and in the exploration of new markets and more interconnected system operations that may enhance reliability, resilience and sustainability. Power Services continues to support fish and wildlife measures to carry out BPA's statutory responsibility to mitigate the effects of constructing and operating the FCRPS. Implementing operational measures to enhance conditions for fish and wildlife is an important aspect of this mitigation. Conservation, or energy efficiency, is another priority for Power Services, which will continue to be a catalyst for development of conservation as a resource in reducing the electricity demand from power customers.

The final IPR forecasts for Power Services have decreased by $17.3 million[4] on average because of three adjustments and updates made to the allocation rates used during the IPR process.

First, the Columbia Generating Station IPR forecast was reduced by $17.9 million on average as a result of a change to the fuel purchase plan to acquire some fuel earlier funded by bond issuances. These reductions are expected to be offset by increases in the debt repayment forecast, which is included in a separate cost category in the power rates in the BP-26 Initial Proposal. Second, the F&W Program Long-term Funding Agreements IPR forecast was increased by $2 million on average and is discussed in Section 4 below. Third, the yearly shape of Conservation Purchases was also adjusted to reflect the yearly distribution of historical spending, but there was no impact to the rate period average for these changes. Finally, Enterprise Services G&A IPR forecasts were reduced by $1.7 million on average because of revised allocation rates.

Some commenters recommended that BPA adopt a more modest increase for Power Services IPR expense forecasts. BPA has retained the initial publication's IPR forecasts. BPA has already included a reduction to Power Services IPR expense forecasts of 2% to adjust for hiring execution risk on staffing levels.

Other commenters recommended that BPA adopt a more aggressive increase for F&W program costs included in Power Services expense forecasts – those comments are addressed in Section 4 and Appendix A.

Similar to Transmission, some comments requested a lapse factor be used on Power Services capital. While capital execution over $200 million per year has proven to be a

[4] Table B-2 Transmission Services Detailed Expenses

difficult hurdle to get over the past several years, the Fed Hydro asset category has executed significantly over $200 million in FY 2024 and expects to continue ramping up execution in FY 2025 and beyond. While Fed Hydro is not entering an era of expansion like Transmission, an era of major replacements and refurbishments of powertrain (e.g., turbines and windings) assets will be occurring over the next few decades.

Fed Hydro has several large capital investments entering the design and construction phases, increasing BPA's need for capital execution. As the number of large capital investment approvals continues to grow alongside projects in motion, BPA expects capital expenditures to exceed the $300 million per year mark[5]. Fed Hydro has made improvements in forecasting based on historical performance and has two separate forecasts, the "optimal" and the "expected," produced as part of SAMP development. As discussed above in the Transmission section, these improvements led to an IPR forecast that considers past performance and constraints, eliminating the need for further reducing the forecast.

4 Environment, Fish & Wildlife

Environment, Fish & Wildlife will continue to support BPA's responsibility to comply with all applicable environmental laws and regulations. This includes its responsibility to protect, mitigate and enhance fish and wildlife to the extent they are affected by the development and operation of the Federal Columbia River Power System, in a manner consistent with the Northwest Power and Conservation Council's (Council) Fish and Wildlife Program and the purposes of the 1980 Pacific Northwest Electric Power Planning and Conservation Act.

During BP-26, BPA is projecting an increase in fish and wildlife costs of almost $34 million, an 11% increase. The cost increases stem from inflationary pressure on the cost of materials, equipment, and staffing across the Fish and Wildlife Program and from new fish and wildlife commitments, specifically new agreements with the Coeur D'Alene and Spokane tribes. In this final IPR, the numbers from the initial publication have been updated to include an additional $2 million dollars on average over the BP-26 period[6], reflecting the incremental additional cost of a Fish Accord agreement that was finalized with the Kalispel Tribe earlier this month, after the initial IPR numbers had been released. While some commenters asked BPA to further increase forecast fish and wildlife costs, BPA is confident that the final cost estimates will fully meet our mitigation compliance responsibilities. (For a full response to comments, please see Appendix A.)

[5] Table B-3 BPA Statement of Capital Expenditures

[6] Table B-5 Enterprise Services IPR Expense

During the BP-26 rate period, BPA will continue to work collaboratively with the Council, states, Tribes and other partners to identify opportunities to prioritize and implement projects that directly benefit fish and wildlife in a cost-effective manner.

5 Enterprise Services

The final IPR forecast costs for Enterprise Services reflect the costs necessary to operate the agency and the core functions located within the Chief Administrative Office Organizations, the Chief Operating Office Organizations, the Chief Workforce and Strategy Office Organizations, and Corporate Services.

Some commenters expressed concern with the increase in the IPR forecasts for Enterprise Services. BPA has retained the initial IPR forecasts for Enterprise Services. BPA has already included a reduction to IPR expense forecasts of 9% for Enterprise Services to adjust for hiring execution risk on staffing levels. This reduction is carried through to Transmission Services and Power Services through the allocation or direct assignment of Enterprise Services forecasts.

6 Disclaimer

The capital and expense forecasts in this document reflect BPA’s current estimate of its costs. These cost estimates do not constitute final spending levels for any BPA program or represent actual budget decisions made in the budgetary process proposed by the executive branch. Rather, the IPR cost estimates are designed to provide the basis for part of the projected costs to be recovered in rates for power and transmission. Actual spending levels may be further revised or adjusted through BPA’s internal or other federal budgetary processes.

BPA conducts the IPR process to invite public review and comment on BPA’s forecast program costs for the upcoming rate period. Through this public process, the public is afforded an opportunity to engage in meaningful dialogue with BPA regarding BPA’s initial forecast program costs. At the conclusion of the IPR process, BPA issues a closeout letter and report in which BPA describes how its forecast program costs were informed by public comments.

This closeout of the IPR process does not complete BPA’s decision-making process on forecast costs. Adjustments to BPA’s cost projections may occur after the conclusion of the IPR.

Appendix A

BPA Responses to Fish and Wildlife Cost Comments

BPA received several similar comment letters focused on topics related to BPA's cost projections for fish and wildlife mitigation during the BP-26 rate period (federal fiscal years 2026–28). These comments tended to suggest that BPA's forecasts in this category should be higher than the levels reflected in the BP-26 Integrated Program Review (IPR) Initial Publication, or otherwise advocated either for general or specified increases in BPA's fish and wildlife mitigation spending.[1] Other comments supported the fish and wildlife cost projections in the Initial Publication and urged BPA to reject proposals to increase its forecasts in this area.[2] In addition, several comments sought clarification from BPA on certain matters, primarily regarding BPA's recovery of costs associated with recent new commitments for fish and wildlife.[3] The following responses address the topics and questions presented by these comments.

1. Asset Maintenance Costs

The cost of maintaining fish and wildlife mitigation assets was a common point of concern raised in comments. The topic came up in a few different contexts, addressed below.

A. BPA's Fish and Wildlife Program Generally

Several commenters are of the opinion that "Bonneville-funded F&W Program assets have long suffered from insufficient Operations and Maintenance ("O&M") funding [and that BPA's] overall asset management approach needs close examination."[4]

BPA's overall investment in fish and wildlife asset maintenance has ramped up considerably in recent years, and that increased investment is expected to continue during the BP-26 rate period. BPA's projected fish and wildlife mitigation costs for the BP-26 rate period, as reflected in the IPR Initial Publication, include $2.7 million per

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[1] *See generally, e.g.*, Yakama Nation Comments; Confederated Tribes of the Umatilla Indian Reservation (CTUIR) Comments; Confederated Tribes of the Warm Springs Reservation of Oregon (CTWSRO) Comments; Washington Dept. of Fish and Wildlife (WDFW) Comments; Oregon Department of Fish and Wildlife (ODFW) Comments.

[2] *See, e.g.*, Public Power Council (PPC) Comments at 4; Alliance of Western Energy Consumers (AWEC) Comments at 3; Western Public Agencies Group (WPAG) Comment at 5-6.

[3] *See, e.g.*, Northwest Power and Conservation Council (NPCC) Comment at 4–5; Yakama Nation Comments at 4; WDFW Comments at 3.

[4] *See* Yakama Nation Comment at 5; WDFW Comment at 4; CTWSRO Comment at 5; ODFW Comment at 4; CTUIR Comment at 4. Although the commenters refer to "Operations and Maintenance" funding, the focus of their comments is on asset maintenance and thus is BPA's response.

year for fish and wildlife asset management. Actual spending during the rate period will be prioritized, consistent with BPA's Strategic Asset Management Plans,[5] on an ongoing basis.[6] This projection reflects maintaining the higher level of investment in fish and wildlife asset maintenance that BPA began executing during the current rate period (BP-24) and which saw more than a five-fold increase compared to the preceding rate period (going from $500,000 per year during BP-22 to $2.7 million per year during BP-24).[7]

BPA's plan to continue this heightened level of investment in fish and wildlife asset maintenance during the BP-26 rate period will allow BPA to continue resolving non-recurring maintenance needs identified through BPA's Strategic Asset Management Plan framework. To further support this effort, in early 2023 BPA dedicated $25 million in Reserves Distribution Clause (RDC) funds[8] to accelerate its pace of investment in BPA Fish and Wildlife Program mitigation assets.[9] To date, nearly $18 million of that amount has been contracted and its expenditure is underway; BPA expects that expenditure of the full $25 million, including the $8 million that has yet to be contracted, will be ongoing through September 2027. This has allowed BPA to address all mission critical and essential assets that are expired or in poor condition at BPA's Fish and Wildlife Program hatcheries.[10] Accordingly, for fiscal year 2025, BPA turned its attention to non-recurring maintenance needs at fish screens; out of the $2.7 million ear-mark for 2025, only $1.8 million in fish screen maintenance was identified as ready to implement.[11] Furthermore, another RDC decision in late 2023 dedicated another $30 million to fish and wildlife

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[5] *Available at* https://www.bpa.gov/about/finance/strategic-asset-management-plans.

[6] This amount is not forecast to particular fish and wildlife projects or assets. The nature of a sound investment strategy for asset management is that it occurs on a rolling basis in response to priority needs. *See* Bonneville Power Admin., Administrator's Final Record Of Decision, BP-24, at 89 (July 2023) [hereinafter "BP-24 ROD"] *available at* https://ratecase.bpa.gov/openfile.aspx?fileName=BP-24-A-02+Final+ROD.pdf&contentType=application%2fpdf. In addition, it is important to note that BPA's contracts for individual fish and wildlife projects typically include work elements and budget line-items for operation and maintenance of physical assets associated with each project. As a result, the $2.7 million general amount represents only a portion of the full amount of asset maintenance costs that BPA forecasts for its fish and wildlife projects in a given year.

[7] *See* BP-24 ROD, at 89.

[8] The Power RDC is a rate mechanism by which BPA repurposes eligible amounts of the agency's existing financial reserves for uses such as rate relief, debt payments, or other power-specific purposes. *See* Fiscal Year 2022 Power Reserves Distribution Clause Final Decision and Response to Comments, at 5–6 (Jan. 2023), *available at* https://www.bpa.gov/-/media/Aep/rates-tariff/bp-22/bp-22-rate-adjustments/20230106-rdc-letter-and-attachment-a-response-to-comments.pdf.

[9] *See id.* at 1.

[10] *See, e.g.*, BP-24 ROD, at 90–91 (citing Memorandum on Asset Management Strategic Plan Priorities for FY2024 for hatcheries and screens).

[11] *See* NPCC, Council Decision on Asset Management Strategic Plan Priorities for FY2025 for Fish Screens, at 3 (Jun. 4, 2024), *available at* https://www.nwcouncil.org/fs/18756/2024_06_5.pdf.

mitigation,[12] and those funds are largely ear-marked for non-recurring maintenance needs for BPA's fish and wildlife mitigation assets, including non-recurring fish screen maintenance that becomes ready for implementation.

Considering this comprehensive picture of BPA's recent and ongoing investments in fish and wildlife asset management—including this IPR's projected costs at the higher level that began in BP-24, and the ongoing expenditures from the significant infusion of approximately $45 million in RDC funds—BPA staff finds that its projected asset management costs for the BP-26 rate period, as reflected in this IPR, are sufficient for the maintenance needs of fish and wildlife mitigation assets likely to be implemented during that time. While BPA does not agree with the commenters' premise that BPA's "F&W Program assets have long suffered from insufficient Operations and Maintenance ("O&M") funding," BPA contends that its recent and ongoing ramp up in fish and wildlife asset management investments, described above, reflects the "close examination" that the commenters suggest has been needed.

Finally, it bears repeating that BPA retains its ability to expand or reprioritize asset management work based on the most urgent needs, including as informed by new developments that arise during the upcoming rate period. The forecast asset management cost reflected in this IPR also does not in any way preclude BPA from addressing additional, unexpected costs of maintenance needs that might arise during the BP-26 rate period.[13]

B. Lower Snake River Compensation Plan

The Lower Snake River Compensation Plan (LSRCP) originated in the Water Resources Development Act of 1976 (Pub. L. No. 94-587, 90 Stat. 2917) and was developed by Congress to offset fish and wildlife losses caused by construction and operation of the four lower Snake River dams. The LSRCP hatchery facilities were constructed by the U.S. Army Corps of Engineers. Upon their completion and at the direction of Congress, jurisdiction and control of the facilities passed to the U.S. Fish & Wildlife Service (USFWS), along with responsibility to administer the LSRCP program. BPA is financially responsible for the "power-share" of LSRCP costs and, in BPA's discretion,[14] may address that duty either by providing funds directly to the USFWS, or by reimbursing the U.S. Treasury for appropriations the USFWS receives for the

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[12] *See* Fiscal Year 2023 Power Reserves Distribution Clause Final Decision and Response to Comments, at 2 (Dec. 2023), *available at* https://www.bpa.gov/-/media/Aep/rates-tariff/rate-adjustments/FY-2024-Adjustments/20240111Administrator-LetterPower-RDC-DecisionMemowith-Attachment-A-Final.pdf.

[13] *See* Bonneville Power Admin., Integrated Program Review Closeout Report, at 15–16 (Oct. 2022) [hereinafter "BP-24 IPR Closeout Report"] *available at* https://www.bpa.gov/-/media/Aep/finance/integrated-program-review/bp-24-ipr/bp-24-ipr-closeout-report.pdf; BP-24 ROD, at 89.

[14] *See* 16 U.S.C. § 839d-1.

LSRCP. Since the early 2000s, BPA has opted to provide annual operations and maintenance funding for the LSRCP directly to USFWS under a series of inter-agency agreements that guide these transfers of funds.

For the BP-26 rate period, BPA projects an average annual operations and maintenance cost of $34.7 million for the LSRCP program.[15] This amount is up from an annual average of $32.7 million for the BP-24 rate period. Several commenters expressed a view that the projections for LSRCP in BPA's Initial Publication underestimate the costs for operation and maintenance of LSRCP hatcheries by approximately $2 million per year.[16] The commenters characterize this as a "deficit" that would make it difficult to "catch up on outstanding non-recurring maintenance needs, and prevent[ing] an excessive buildup of new needs."[17] The commenters then conclude that the LSRCP needs to be funded by between $3 million and $5.5 million more than BPA's projections during the BP-26 rate period: $37.7 million for FY 2026 and $41.2 million for FY 2027.[18]

The higher forecast costs proposed in these comments come from a table developed by a *U.S. v. Oregon* Production Advisory Committee. However, as noted above, funding of the LSRCP is a matter addressed between BPA and USFWS and occurs pursuant to the terms, conditions, and processes of a funding agreement between the two federal agencies. As called for by the current iteration of this agreement, BPA coordinated with USFWS to obtain cost projections for the LSRCP prior to the IPR process. The values included in BPA's Initial Publication are based on the information provided by USFWS and developed in accordance with the budget procedures of the direct funding agreement between the agencies.[19] Accordingly, BPA finds that these are the most reasonable amounts to include as BPA's projected costs for LSRCP annual operation and maintenance needs.

[15] *See* BP-26 IPR Initial Publication Appendix and Detailed Data Files, Table 3-A at line 10 ($33.7 million for FY 2026, $34.7 million for FY 2027, and $35.7 million for FY 2028), *available at* https://www.bpa.gov/-/media/Aep/finance/integrated-program-review/bp-26-ipr/bp-26-ipr-initial-publication-appendix-and-detailed-data-files.xlsx.

[16] *See* Yakama Nation Comment at 5; WDFW Comment at 4; CTWSRO Comment at 5; ODFW Comment at 4; CTUIR Comment at 5.

[17] *See* Yakama Nation Comments at 5; WDFW Comment at 4; CTWSRO Comment at 5; ODFW Comment at 4. Some comments claim that BPA's projection is up to $6.5 million too low, "depending up on the year." *See* CTUIR Comment at 5.

[18] *See, e.g.*, Yakama Nation Comments at 5 (table). The entities that submitted comments on this topic did not provide a value for FY 2028.

[19] BPA's understanding is that USFWS coordinates with the fish and wildlife managers that operate the LSRCP facilities when developing cost estimates.

Further, the comments suggesting the need for higher cost projections for LSRCP operation and maintenance are based on LSRCP's "non-recurring maintenance needs, and prevent[ing] an excessive buildup of new needs."[20] BPA has committed to making significant funding available for this very purpose. In addition to the annual funding for LSRCP operation and maintenance that BPA projected in the Initial Publication ($33.77 million for fiscal year 2026, $34.71 million for fiscal year 2027, and $35.67 million for fiscal year 2028), BPA has made over $200 million of additional funding available to LSRCP for non-recurring maintenance. First, BPA dedicated $25 million of a 2022 RDC disbursement to LSRCP's non-recurring maintenance needs.[21] In addition, BPA is making $200 million in capital funding available to the USFWS, over 10 years, for LSRCP maintenance under the terms of the Resilient Columbia Basin Agreement (RCBA).[22] LSRCP's expenditure of these amounts is ongoing. Accordingly, BPA disagrees with comments suggesting a need to increase BPA's forecast LSRCP operation and maintenance costs by $2 million or more per year to address these needs.

With respect to the $200 million capital commitment, BPA's IPR projections expect that approximately $60 million of that amount will be spent during the BP-26 rate period.[23] Several comment letters acknowledge that this projection—which averages $20 million per year over the three years of the BP-26 rate period—is consistent with BPA's commitment of $200 million over years 10 years, for an average of $20 million per year.[24] Nonetheless, the commenters insist that BPA should be planning for $80 million of this commitment to be spent during the BP-26 rate period "due to urgent needs at the [LSRCP] hatcheries."[25]

BPA finds that its almost $60 million projection for LSRCP capital spending has more factual support than the commenters' suggestion of $80 million. As of August 28, 2024, the USFWS provided BPA with a forecast of projects (developed in coordination

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[20] *See* Yakama Nation Comment at 5; WDFW Comment at 4; CTWSRO Comment at 5.

[21] Because this distribution comes from financial reserves already on-hand from prior rates, which are held separately for this purpose as reserves not for risk, there is no need to project LSRCP's spend down of this amount as a cost during the BP-26 rate period. Although spending will occur during that period, the funds expended will not need to be recovered via BP-26 rates because the funds have already been recovered during prior rate periods.

[22] *See* U.S. Government Commitments in Support of the "Columbia Basin Restoration Initiative" and in Partnership with the Six Sovereigns, at 16.

[23] *See* BP-26 IPR Initial Publication Appendix and Detailed Data Files, Table 6-A at line 6 (projecting a three-year total cost of $59,435,000 for LSRCP capital).

[24] *See* Yakama Nation Comments at 5; WDFW Comment at 4; CTWSRO Comment at 5; ODFW Comment at 4; CTUIR Comment at 5.

[25] *See* Yakama Nation Comments at 5; WDFW Comment at 4; CTWSRO Comment at 5; ODFW Comment at 4; CTUIR Comment at 5.

with regional fish and wildlife managers, including several of the commenters on this topic) indicating that, of the $200 million capital commitment, $85 million-worth of work has been prioritized and planned for implementation so far. This information showed that the work associated with this initial $85 million list of priorities will likely occur across contract award years extending all the way out to 2033. Importantly, for the three-year BP-26 rate period, the USFWS forecast shows about $54 million of work. This amount is more than covered by the nearly $60 million forecast that BPA included in its Initial Publication for those years.

BPA recognizes that there is considerable uncertainty associated with the difficult task of planning $200 million in capital investment over a 10-year timeframe, particularly at the outset. Accordingly, BPA acknowledges that the capital spending schedule for this $200 million commitment is likely to change as USFWS works with the LSRCP fish and wildlife managers to firm up priorities and plans. Given this reality, it is important to bear in mind that the cost projections BPA includes in IPR reflect the best information currently available, but they do not constrain BPA's ability to provide higher or lower amounts of funding, nor do they alter or limit BPA's commitment to make this $200 million in capital funding available pursuant to the terms and timelines in the applicable agreements. In other words, if it ends up that the commenters are correct that $80 million of capital work can be implemented at LSRCP during the BP-26 rate period, the fact that BPA included a lower estimate in its IPR numbers does not prevent it from providing the higher amount.

In sum, based on the discussion above, BPA sees no basis to adjust the LSRCP projections that were included in the IPR Initial Publication. The suggestions to increase the forecast for capital spending at LSRCP facilities are not supported by the capital work currently planned for the BP-26 rate period, and the annual operation and maintenance forecasts adhere to the amounts developed in accordance with the BPA-USFWS agreement that governs that funding. Moreover, the $25 million in RDC funding that BPA dedicated to non-recurring maintenance needs at LSRCP facilities has not yet been fully expended.

C. U.S. Army Corps of Engineers' Maintenance of Mainstem Dams

Some commenters suggest that BPA's projected funding of the U.S. Army Corps of Engineers (USACE)—for mainstem dam operation and maintenance needs—should be $27 million per year higher, based on an assessment by CRITFC and its member tribes "in collaboration with USCOE staff" that identified $220 million in mainstem dam maintenance needs over an 8-year period. "BPA and [USACE] should increase the [USACE operations and maintenance] budget by at least $27 million per year to adequately address the backlog of fish passage and hatchery needs at the mainstem dams."[26]

As explained in the IPR Closeout Report for BP-24,[27] when BPA is responsible for the power-share of such costs, BPA either directly funds the USACE for the power-share, or reimburses the U.S. Treasury for the power-share of congressional appropriations for these costs.[28] Either way, the USACE still must seek and receive appropriations for the non-power share of costs, at least, before any work can move forward. BPA power-share funds alone do not allow a project to proceed. Therefore, BPA does not project direct funding or reimbursable costs in an IPR process prior to a congressional appropriation for the non-power share of such costs. And while the amount of funding that BPA makes available through direct funding is subject to the agency's discretion, the USACE can include the entire amount of funds needed for both capital and operations and maintenance actions in its requests through the congressional appropriations process.

Moreover, the USACE determines its own operation and maintenance priorities, and the associated budgets for those priorities, which it funds with appropriations received from Congress. While BPA participates in the advisory committees that recommend certain fish passage operation and maintenance actions to the USACE, this role is purely advisory. Beyond that, the extent of BPA's involvement is simply to provide the power share of the USACE's operation and maintenance costs, including fish and wildlife, pursuant to the Energy Policy Act of 1992 and the direct funding agreements between the agencies.[29] Thus, BPA does not control the USACE's operation and maintenance investments and has no basis to forecast costs at higher amounts than would be supported by the USACE's implementation plans and appropriations.

BPA's Initial Publication forecast costs came from the USACE based on what USACE plans and expects to implement during the BP-26 rate period. Accordingly, even if BPA increased its IPR cost forecasts—*i.e.*, forecasted to provide funds that the USACE has not requested—this would not assure implementation of the actions noted by the commenters. BPA's cost forecast assumptions do not determine whether the USACE will receive congressional appropriations for such actions. If appropriations are received, BPA would reimburse Treasury for the power-share, regardless of its IPR

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[26] *See* Yakama Nation Comment at 6; WDFW Comment at 4-5; CTWSRO Comment at 6; ODFW Comment at 4–5; CTUIR Comment at 5.

[27] BP-24 IPR Closeout Report at 17 (app. A).

[28] The reimbursement amount when BPA repays the U.S. Treasury for the power-share of capital costs is divided over numerous BPA rate periods, beginning after the capital work has been placed into service.

[29] *See* BPA, BP-24 Power Rebuttal Testimony, BP-24-E-BPA-10, at 45, *available at* https://ratecase.bpa.gov/openfile.aspx?fileName=BP-24-E-BPA-10_Power+Rebuttal+Testimony.pdf&contentType=application%2fpdf

forecast. The figures that BPA received from the USACE and included in its IPR Initial Publication reflect the most up-to-date information BPA has about the expected costs of its direct funding for the USACE, and thus BPA has no basis to alter those amounts in its forecast.

2. Inflation Costs

Several comment letters stated: "It is important that Fish & Wildlife Program funding keeps pace with inflation. The [commenter] remains concerned about inflation adjustments going forward and whether they have been accounted for in the F&W Program funding for the BP-26 Rate Period."[30]

BPA's forecast for the BP-26 rate period includes an approximately 11% increase in Fish and Wildlife Program expenditures compared to the BP-24 rate period. The anticipated need to provide additional funding to address inflation pressure on BPA's fish and wildlife mitigation projects is one of the factors that drove this projected 11% increase. In other words, inflation has been accounted for in the projections for Fish and Wildlife Program funding during the BP-26 rate period.

Specifically, BPA took the following approach. Over half of BPA's Fish and Wildlife Program is implemented through long-term mitigation agreements, such as the Fish Accords, each of which includes a suite of mitigation projects. These long-term agreements prescribe the inflation rate to be applied to the mitigation project budgets covered by the agreements. Accordingly, BPA projected that it would continue to apply the inflation rate set by the current long-term agreements (2.5% annually) through the BP-26 rate period for the portion of BPA's Fish and Wildlife Program administered through such agreements. For the remaining portion of BPA's Fish and Wildlife Program that is not administered under long-term agreements, BPA's projections for the BP-26 rate period applied the same GDP Price Deflator rate (2.28%) used to forecast analogous costs across the rest of the agency.

It is important to note that this methodology reflects a programmatic approach to inflation. BPA expects this will be adequate to deal with the effects of inflation within the Fish and Wildlife Program as a whole. However, it will not necessarily result in a uniform inflation adjustment being applied across all of BPA's fish and wildlife mitigation projects. As BPA has explained in the past, fish and wildlife project budgets do not move up or down in perfect sync because each project is unique, containing different objectives and elements that can change, or even end, over time.[31] Similarly, BPA has explained how cost-efficient funding strategies, such as creating economies of scale, can dampen the effects of inflation such that budgets for certain projects may not need to "keep up with

[30] *See* Yakama Nation Comments at 4; WDFW Comment at 3; ODFW Comment at 3; CTUIR Comment at 4.

[31] *See* BP-24 IPR Closeout Report at 14 (App. A).

inflation" per se in order to keep up with mitigation results.[32] The projected 11% increase obviously considered other factors beyond a simple application of a 2.28-2.5% inflation adder.

Finally, certain commenters raised concerns about the effect of inflation on some of BPA's pre-existing capital commitments for fish and wildlife mitigation construction: "It is very important that these [capital] funding levels support adjustment of past commitments that have completed the planning and development phase, and now their construction costs are significantly higher due to inflation and construction delays. Using expense funding to offset unforeseen capital design and construction costs reduces the effectiveness of the overall F&W Program."[33] The IPR cost forecasts do not represent budget determinations, and BPA is confident that it is able to address inflationary pressures that bear on its costs during the BP-26 rate period. In the event of a capital budget shortfall during an operating year, BPA works closely with project partners to identify potential resolutions. In addition to supplementing capital funds with expense dollars, if feasible, there is often a range of additional options: from revisions to project design, to shifting funding from other, lower priority work, to cost-share funding options.

3. General & Administrative Costs; Clarification of Fish & Wildlife Program Projection

Several entities submitted the following comment about the General and Administrative (G&A) costs associated with BPA's Fish and Wildlife Program:

> The most significant cost increase in the overall F&W Program funding appears to be Bonneville's own F&W Enterprise Services General and Administrative ("G&A") costs. The increase of 59.8 percent of F&W Enterprise G&A Services for the BP-26 Rate Period does not match the overall rate of increase for the Integrated Expense Program of 4.9 percent.[34]

The commenters thus conclude that "Bonneville is the largest recipient of F&W Program funding dollars, and its own program increases far exceed that rate at which the rest of the program is increasing."[35]

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[32] *See id.* at 12; *see also id.* at 12–13 ("[T]he general assertion that Bonneville's fish and wildlife spending on the whole must 'keep up with' inflation disconnects Bonneville fish and wildlife obligations from the development of a reasonable cost projection. Ultimately, Bonneville's fish and wildlife spending levels are dictated by the costs of the mitigation that Bonneville undertakes; those costs can be driven by numerous factors, including inflation, but planning for expenditures to simply follow inflation indices would be an overly simplistic approach to projecting expected spending level.").

[33] *See* Yakama Nation Comment at 5; WDFW Comment at 3; ODFW Comment at 3; CTUIR Comment at 4.

[34] *See* Yakama Nation Comment at 4; *see also* WDFW Comment at 3; ODFW Comment at 3; CTUIR Comment at 4.

[35] *See* Yakama Nation Comment at 4; *see also* WDFW Comment at 3; ODFW Comment at 3; CTUIR Comment at 4.

G&A costs refer to the indirect costs borne by BPA's Enterprise Services to support the Power and Transmission business line functions that ensure BPA's mission objectives are met. These costs are associated with services provided by departments outside of the Power and Transmission business units, including: Safety, Security, Compliance, Legal, Supply Chain Services, IT, Business Transformation Office, Finance, Communications, Human Resources, Strategy, Facilities and Customer Support Services. BPA's overall G&A costs are attributed across BPA's various departments and programs, approximating the proportion of G&A services that each department or program "uses." While the commenters are correct that the amount of G&A costs attributed to BPA's Fish and Wildlife Program increased from BP-24 levels,[36] it is important to understand that, during each operating year, all G&A costs are completely within BPA's Enterprise Services budget. They do not reduce funding for implementation of fish and wildlife mitigation.[37] Consequently, the commenters are incorrect in suggesting that the "most significant cost increase *in the overall F&W Program funding* appears to be Bonneville's own F&W Enterprise Services [G&A] costs," and that BPA, therefore, is "the largest recipient of F&W Program funding dollars."[38] This is not the case.

A graphic that BPA provided in response to a question from the Yakama Nation may have created confusion on this point. Accordingly, BPA takes this opportunity to clarify and correct aspects of its earlier response. As shown below, the first line of this chart deals with BPA's Fish and Wildlife Program costs (referred to as "Integrated Program" on the slide). This line included the G&A costs attributable to BPA's Fish and Wildlife Program ("incl. G&A") which may have given the incorrect impression that these forecast G&A costs would be *deducted* from the Fish and Wildlife Program funds during upcoming operating years. As explained above, this is not the case. G&A costs are separate and not deducted from BPA's Fish and Wildlife Program costs,[39] and the detailed data spreadsheet associated with the initial IPR publication, at line 44 in table 3-A, indicates this accurately.

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[36] It is worth noting that BPA updated the G&A allocations between the initial IPR and the final IPR forecasts. This reduced the Fish and Wildlife G&A allocation by an average of $3 million per year.

[37] *See* BP-26 IPR Initial Publication Appendix and Detailed Data Files, Table 3-A (indicating, at line 44 in table 3-A, that Fish and Wildlife Enterprise Services G&A is a separate line-item from the costs of BPA's fish and wildlife mitigation implementation, shown at lines 6, 9, and 10).

[38] *See* Yakama Nation Comment at 4 (emphasis added).

[39] Direct costs of fish and wildlife project implementation such as BPA Fish & Wildlife Program staff costs, are included within the projected costs for the Fish & Wildlife Program, but G&A costs are not.

Total annual average cost of BPA F&W actions

Percentage of Spending Categories Allocated to F&W		Actuals FY2022-2023 ($ in Millions)	BP-24 Final Proposal FY2024-2025 ($ in Millions)	BP-26 IPR FY2026-2028 ($ in Millions)
Integrated Program (incl. G&A)	100%	256	285	309
NWPCC	50%	6	6	6
US Fish & Wildlife Service Lower Snake River Compensation Plan	100%	34	33	35
Corps of Engineers O&M	~20%	47	50	60
Bureau of Reclamation O&M	~5%	7	7	9
UNSLICED hydro operations effects (power purchases and foregone revenues)		729	358	TBD
Depreciation & Interest on COE / Reclamation / USF&WS Capital F&W Investments (based on Plant in Service); Depreciation & Interest on BPA Direct Program Capital F&W Investments		107	98*	85
Total $		**1186**	**837**	**TBD**

*Corrected

This information has been made publicly available by BPA on 8/5/2024 and contains information not reported in agency financial statements.

[40]

Furthermore, upon review, BPA has identified an error in this table: the $309 million figure in the top-right, which shows cost projections for the Fish and Wildlife Program during the BP-26 rate period, is incorrect. That amount inadvertently omitted the costs of new long-term fish and wildlife agreements with the Spokane and Coeur d'Alene tribes, which are shown on line 9 of table 3-A of the detailed data spreadsheet associated with the initial IPR publication, and which constitute part of BPA's projected Fish and Wildlife Program costs because these agreements are implemented through the Fish and Wildlife Program.

In short, the G&A costs should not be considered a part of BPA's Fish and Wildlife Program forecast, while the Spokane and Coeur d'Alene agreements are. With the agreements added and the G&A costs omitted, the $309 million shown on line 1 of

[40] *Available at* https://www.bpa.gov/-/media/Aep/finance/integrated-program-review/bp-26-ipr/bp-26-ipr-fw-cost-chart.pdf.

the table above becomes $301 million.[41] This is BPA's projection of its annual Fish and Wildlife Program costs, and is the combination of lines 6 and 9 of the detailed data spreadsheet included with the Initial Publication.

When the three-year average of BPA's projected costs for the LSRCP program (approx. $35 million[42]) is added to the $301 million Fish & Wildlife Program projection, the total fish and wildlife mitigation expense costs become $336 million per year during the BP-26 rate period. This makes up the projected increase of approximately 11%, noted in BPA's Initial Publication, when compared to the same costs from the BP-24 IPR ($302 million).

4. Recent Settlement Agreements and Related Commitments

Over the past year, BPA entered into several new agreements related to fish and wildlife and made various financial commitments as part of those agreements. These agreements and financial commitments are:

<u>Phase 2 Implementation Plan (P2IP).</u> The P2IP agreement, between the U.S. Government and several upper Columbia River tribes, supports tribal efforts to test the feasibility of reintroducing anadromous salmonids into blocked habitats above Chief Joseph and Grand Coulee dams. This agreement included a BPA commitment to provide $200 million, adjusted for inflation, over 20 years to support this effort.

<u>Accord Agreements with Spokane Tribe of Indians and Coeur d'Alene Tribe.</u> The P2IP agreement also contemplated that BPA would enter into separate Accord agreements with each of these tribes for funding and implementation of fish and wildlife mitigation work through BPA's Fish and Wildlife Program. In total, the 10-year expense funding commitments, including inflation, are $114.3 million for the Spokane Accord and $118.2 million for the Coeur d'Alene Accord.[43]

<u>Resilient Columbia Basin Agreement (RCBA).</u> The RCBA establishes commitments of the U.S. Government in support of the broader Columbia Basin Restoration Initiative. The RCBA includes two new BPA funding commitments, relevant here as the basis of costs that BPA will incur during the BP-26 rate period. These are:

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[41] This amount also includes an additional $2 million that was not part of BPA's forecast in the Initial Publication. This $2 million is associated with renewal of a funding agreement with the Kalispel Tribe that occurred after the Initial IPR Publication.

[42] *See* BP-26 IPR Initial Publication Appendix and Detailed Data Files, Table 3-A at line 10).

[43] Each of these agreements also include BPA commitments to make a certain amount of capital funding available during the term of the agreements – capital spending schedule to be coordinated between the parties.

(1) a commitment to make $200 million in capital funding available for LSRCP hatchery modernization, upgrades, and non-recurring maintenance, as discussed above, and

(2) a commitment of $100 million, adjusted for inflation, over 10 years for projects that contribute to the restoration of salmon and other native fish populations prioritized by four lower Columbia River treaty tribes and the states of Oregon and Washington.

Some commenters sought clarification as to whether or where the costs of these various commitments appear in BPA's forecasts for the BP-26 rate period. For instance, several of the comment letters included statements to the effect of:

> Bonneville has recently signed on to several new agreements including the RCBA, the Memorandum of Understanding and mediated Settlement Agreement related to the Phase 2 Implementation Plan, and Accords with the Coeur d'Alene Tribe and the Spokane Tribe of Indians. Bonneville needs to state clearly whether it intends for the $31 million increase [in BPA's Fish and Wildlife Program forecasts] to address costs associated with any of those agreements.[44]

Similarly, the Northwest Power and Conservation Council's comments sought "clarification from Bonneville on how it is handling" these agreements.[45] Specifically, the Council requested "confirmation that the additional investments for the Spokane and Coeur d'Alene protection and mitigation agreements are also included in the Fish and Wildlife Program portion of the IPR cost estimates, since that is not currently clear from the [IPR] documents and presentations."[46] And further, the Council asked "whether the IPR cost estimates for fish and wildlife include the additional investments to support the P2IP reintroduction study and the Resilient Columbia Basin Agreement (RCBA) additional salmon work."[47]

Costs associated with the Spokane and Coeur d'Alene Fish Accord agreements were incorporated into the BP-26 IPR forecasts and can be located on line 9 in table 3-A of the detailed data spreadsheet included with the initial IPR publication. These agreements are for funding and implementation of fish and wildlife mitigation work through BPA's Fish and Wildlife Program and BPA will administer them as part of the

[44] *See* Yakama Nation Comment at 4; WDFW Comment at 3; ODFW Comment at 3; CTUIR Comment at 3.

[45] *See* NPCC Comment at 4.

[46] *Id.*

[47] *Id.* The Council's further statements regarding the legal authorities implicated by these agreements (*see id.* at 4–5) are inapposite here because BPA's projection and recovery of costs is indifferent to the legal authority those costs are implemented through or arise under.

Fish and Wildlife Program. Thus, they are part of the average projected annual cost for the Fish & Wildlife Program of $301 million (see lines 6 and 9 in table 3-A).[48]

In addition to the Spokane and Coeur d'Alene agreements, the LSRCP capital funding commitment in the RCBA was also incorporated into the BP-26 IPR forecasts and can be located on line 6 in table 6-A of the detailed data spreadsheet included with the initial IPR publication. These LSRCP capital costs are separate from both the projected costs for BPA's annual Fish and Wildlife Program and the projected expense costs for annual operations and maintenance for the LSRCP, which can be found on line 10 in table 3-A of the detailed data spreadsheet included with the Initial Publication.

BPA's commitments to provide $20 million per year under the P2IP agreement and $10 million per year pursuant to the RCBA are administered differently than other commitments that BPA's Fish and Wildlife Program handles directly.[49] Accordingly, the costs associated with these commitments are not drawn from the $301 million projected for annual Fish and Wildlife Program expense dollars. The cost of implementing these financial commitments from 2026–28 will be incorporated into BPA's revenue requirement for the BP-26 rate period, covering those years.[50] This means that the costs associated with implementing these two agreements for those three years will be recovered through BP-26 power rates.

Accordingly, the costs of all of these agreements are accounted for within BPA's cost recovery framework, whether as IPR projections that inform BPA's revenue requirement or as direct components of the revenue requirement itself. To the extent that commenters are concerned BPA might be unable to implement these agreements because their costs are not fully accounted for in BPA's cost recovery framework, that is not the case.

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[48] *See also* BPA, Revenue Requirement Presentation, at 62 (Aug. 27–28, 2024), *available at* https://www.bpa.gov/-/media/Aep/rates-tariff/bp-26/Aug-27-28-Workshop/BP_TC-26-Aug-Workshop.pdf ("This spending [for the Spokane and Coeur d'Alene agreements is] embedded in BPA's direct Fish & Wildlife program, which is an expense that appears on the income statement.").

[49] *See, e.g.*, U.S. Government Commitments in Support of the "Columbia Basin Restoration Initiative" and in Partnership with the Six Sovereigns, at 18 ("Bonneville agrees that the Six Sovereigns shall collectively and autonomously determine their priorities for the $100M over 10 years described above. Annual $10M payments of these funds will be made directly as described above, vs. through the traditional Bonneville procurement process."); Bonneville Funding Commitment Disbursements Under the Phase 2 Implementation Plan Settlement Agreement, § III.B (providing for deposit of funds directly into the receiving parties' bank accounts).

[50] *See* BPA, Revenue Requirement Presentation, at 63 (stating that "annual payments to the P2IP parties will be treated as a balance sheet-only cash payment [and] will appear on the revenue requirement statement"); *id.* at 64 (stating the same for payments to the Six Sovereigns under the RCBA).

5. Costs Associated with Renewal of Certain Fish and Wildlife Funding Agreements

Several commenters stated their expectations that "[d]uring the BP-26 Rate Period, Bonneville will be renegotiating long-term funding agreements" (e.g., "Fish Accords") and expressed "concern . . . that there be sufficient headroom in the BP-26 budgets to support continued agreements at their historic levels when factoring in inflation." As explained above (Section 3 – Inflation Costs), the forecast for BPA's Fish and Wildlife Program costs, as reflected in this IPR, includes projected costs for continuing to implement current Fish Accord mitigation actions during the BP-26 rate period. This forecast includes the cost for continuing to apply, during the BP-26 rate period, the 2.5% inflation rate that Fish Accord budgets receive under the terms of the current agreements.

Some of these commenters go further, asserting that "significantly more funding will be required" in these renegotiated/renewed agreements to "rebuild healthy and abundant salmon and steelhead and other native fish species." The Yakama Nation, for instance, provided a "non-exhaustive list" describing its "need for increased funding" of $100–130 million during the BP-26 rate period, and opined that other "Sovereigns in the Basin [likely] have similar needs." In general, BPA understands these comments as suggesting that BPA should increase its projected fish and wildlife costs for the BP-26 rate period to a level that commenters indicate may be necessary in future agreements. BPA does not find it reasonable to adjust its forecast based on these suggestions.

The potential future agreements discussed in these comments have not been negotiated yet. Moreover, the extent to which those agreements might, if or when finalized, include commitments for the mitigation work alluded to in these comments is unknown at this time, as is the potential cost. For these reasons, BPA finds that it would not be prudent to increase its IPR projections in anticipation of potential incremental cost increases associated with speculative, yet-to-be negotiated agreements. This is not to say BPA has ignored these potential costs. BPA's fish and wildlife forecast for BP-26 assumes the cost of current Fish Accord agreements will continue for the rate period, adjusted for inflation. This assumption balances between ensuring BPA's rates include some costs for the potential renewal of these agreements, while also recognizing that the actual cost of those agreements is unknown at this time.

Where BPA has factually-grounded estimates to use in its forecasts, it makes adjustments. For instance, the Fish and Wildlife Program cost forecast released with this IPR Closeout Report includes an additional $2 million dollars annually (compared to the numbers from the Initial Publication) reflecting the incremental additional cost of a Fish Accord agreement that was finalized with the Kalispel Tribe earlier this month, after the initial IPR numbers. Because BPA's financial commitments in the finalized agreement with the Kalispel Tribe are known, BPA has updated its forecast to reflect these additional incremental costs.

Finally, it is important to reiterate a point that BPA has often explained: BPA's IPR projections are just a forecast, and these projections do not dictate any BPA program- or project-level budgets or spending decisions. Therefore, these IPR projections do not prevent BPA from later entering into agreements containing financial commitments that exceed the amounts BPA has projected. Similarly, if BPA does so and future Fish Accord agreements, if or when finalized, include financial commitments greater than BPA projected in this IPR, that fact would not prevent BPA from implementing and paying for mitigation actions committed in such agreements. In such cases, BPA is able to rely on its robust financial risk mitigation tools to deal with any unforeseen costs—including higher-than-projected fish and wildlife agreement costs—that arise during a rate period.[51]

6. Overall Level of Fish and Wildlife Mitigation Effort

BPA's fish and wildlife cost projections in the previous IPR (for BP-24) amounted to the largest percentage increase (8.7%) for this cost category, from one rate period to the next, since 2010.[52] Here, BPA's projected fish and wildlife costs for the upcoming BP-26 rate period surpasses that with a forecast of an 11% increase above the BP-24 level.

Comments from a public power customer group placed this cost growth in a broader context, noting that BPA's fish and wildlife costs have increased by nearly 75% since BPA entered into Regional Dialogue power sales contracts.[53] Further, in light of sharp increases in fish and wildlife costs in BP-24 and again for BP-26, comments on behalf of public power customers emphasized the maturity and comprehensive scope of BPA's existing Fish and Wildlife Program,[54] encouraged efforts to optimize fish and wildlife spending in terms of "biological benefit per dollar spent,"[55] and urged BPA to reject any general proposals for fish and wildlife spending beyond amounts BPA has projected to address its applicable legal obligations.[56]

In contrast, numerous comments leaned the other way, taking issue with the level of fish and wildlife mitigation effort reflected in cost projections for the BP-26 rate period,

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[51] For a general discussion of BPA's financial risk mitigation tools, see BP-24 ROD at 45–48.

[52] *See* BP-24 IPR Closeout Report at 7 (app. A).

[53] *See* WPAG Comment at 5–6.

[54] *See* PPC Comment at 4.

[55] WPAG Comment at 5.

[56] *See* AWEC Comment at 3; PPC Comment at 4.

opining that “BPA could do more,”[57] or otherwise generally suggesting an even greater increase in BPA’s fish and wildlife spending.[58] Such general comments, however do not identify any specific, known cost drivers that the commenters can show are unaddressed in BPA’s IPR cost projections; in such case, as BPA has stated in the past,[59] when the only basis is a generalized policy preference, increased spending as a matter of policy is neither required by law nor consistent with BPA’s statutory directive of operating consistent with sound business principles.[60]

Other rationales offered in support of the commenters’ proposals for further increases are addressed below. In large part, these comments seek to characterize generalized needs, circumstances, and goals as falling under “Bonneville’s Fish and Wildlife Mitigation Obligations” in a way that either mistakes or overstates the extent to which such matters are BPA’s responsibility to address.

For instance, many commenters point generally to the imperiled status of certain fish stocks in the Columbia River basin,[61] as well as broad initiatives for “recovery” or “rebuilding” of those species. In particular, these commenters call attention to a report published by the National Oceanic and Atmospheric Administration (NOAA) in 2022:

> In their 2022 Rebuilding Report, [NOAA] points out that rebuilding salmon and steelhead runs to levels promised when the dams were built will require "rapid, concerted, system-wide actions keyed to existing strongholds." The Report notes that the efforts to date have been focused on delisting and have not been adequate to support rebuilding.[62]

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[57] ODFW Comment at 3.

[58] *See id.*; Yakama Nation Comment at 4 (expressing concern about BPA’s projections for BP-26 fish and wildlife costs and claiming need for “increased and expedited action”); WDFW Comment at 3 (similar); ODFW Comment at 3 (similar); CTUIR Comment at 3 (similar).

[59] *See* BP-24 IPR Closeout Report at 11 (app. A).

[60] *See* Federal Columbia River Transmission System Act, 16 U.S.C. § 838g; Northwest Power Act 16 U.S.C. § 839e(a)(1); *see also* 16 USC § 838m(c)(2) (“The Administrator shall (1) engage, in a manner determined by the Administrator, with customers and stakeholders with respect to the financial and cost management efforts of the Administrator through periodic program reviews; and (2) to the maximum extent practicable, implement those policies that would be expected to be consistent with the lowest possible power and transmission rates consistent with sound business principles.”).

[61] *See, e.g.*, Yakama Nation Comment at 2–3 (“Unfortunately, many stocks are now at an all-time low.”); WDFW Comment at 1–2 (similar); CTWSRO Comment at 3 (similar); ODFW Comment at 2 (similar); CTUIR Comment at 2 (similar).

[62] *See* Yakama Nation Comment at 3; WDFW Comment at 2; CTWSRO Comment at 3; ODFW Comment at 2; CTUIR Comment at 2.

Similarly, these commenters cite certain quantified regional goals for salmon abundance, such as those included in the Northwest Power and Conservation Council's Fish and Wildlife Program and the Columbia Basin Partnership:

> In the five-year period from 2018-2023, the total Columbia River salmon and steelhead run size has averaged less than 25 percent of the NPCC's F&W Program goal of 5 million salmon and steelhead. This abundance goal of 5 million is millions of salmon and steelhead short of the goals established by the NPCC's F&W Program and confirmed by regional stakeholders through the Columbia Basin Partnership.[63]

The suggestion that such goals establish "Bonneville's Fish and Wildlife Mitigation Obligations," and thus that BPA should increase its cost projections in order to address them, is not well-founded. For example, as BPA has observed previously,[64] the NOAA report "does not constitute a regulatory or policy requirement and does not supersede or modify existing analyses in ESA recovery plans, viability assessments, 5-year reviews, or ESA consultation documents."[65] Similarly, with respect to the Columbia Basin Partnership's goals, the Partnership report itself clearly states that they "are not regulatory or enforceable," and "are not intended to direct Columbia Basinwide resource allocation or funding decisions."[66] And as for the NPCC Program goal, BPA provided extensive discussion in the BP-24 rate case record of decision and associated testimony explaining why that goal does not amount to a legal obligation for BPA to achieve.[67]

Moreover, the point of the projections provided in this IPR process is to estimate the costs BPA anticipates needing to recover over the rate period for its obligations. Those obligations are established by statute and do not address all factors that affect salmonid populations.[68] It is well documented that such populations are affected significantly by a host of factors in addition to the federal hydropower impacts that BPA has a legal duty to mitigate for, and the recovery, rebuilding, and abundance of such

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[63] Yakama Nation Comment at 2; WDFW Comment at 1–2; *see also* CTWSRO Comment at 3 ("BPA must set forth rates that ensure mitigation funding to support the NPCC mitigation goals.").

[64] See BPA, BP-24 Power Rebuttal Testimony, BP-24-E-BPA-10, at 15–16 (§ 3.3).

[65] *See* NOAA, Rebuilding Interior Columbia Basin Salmon and Steelhead, at 1–2 (Sept. 30, 2022), *available at* https://www.fisheries.noaa.gov/s3/2022-09/rebuilding-interior-columbia-basin-salmon-steelhead.pdf.

[66] Vision of Salmon and Steelhead: Goals to Restore Thriving Salmon and Steelhead to the Columbia River Basin, Phase 2 Report of the Columbia River Partnership Task Force of the Marine Fisheries Advisory Committee, at 26 (Oct. 2022), *available at* https://s3.amazonaws.com/media.fisheries.noaa.gov/2020-10/MAFAC_CRB_Phase2ReportFinal_508.pdf?null.

[67] *See* BP-24 ROD at 91–93; BP-24 Power Rebuttal Testimony, BP-24-E-BPA-10, at 6–10.

[68] *See, e.g.*, 16 U.S.C. § 839b(h)(10)(A) (establishing BPA's duty to protect, mitigate, and enhance fish and wildlife to the extent affected by development and operation of federal hydropower facilities).

populations is likewise dependent on appropriately addressing those other factors as well.[69]

As additional support for their views that BPA needs to further increase its overall fish and wildlife spending, several commenters also cite a 2023 Presidential Memorandum,[70] which they characterize as stating "concern[] that the region was not meeting their obligations for recovery" . . . and directing

> [a]ll executive departments and agencies . . . to utilize their authorities and available resources to advance the [USG] policy" to: honor Federal trust and treaty responsibilities to Tribal Nations"[71] including a commitment to "regulate the [Columbia River System] to adequately protect, mitigate, and *enhance* fish and wildlife affected by the Federal dams in the [Columbia River] Basin in a manner that provides equitable treatment for fish and wildlife with other purposes for which the Federal dams are managed and operated.[72]

BPA offers the following observations concerning the Presidential Memorandum. First, the portion of the memorandum emphasized in comments (shown above) echoes existing law:

> to carry out the requirement of the Pacific Northwest Electric Power Planning and Conservation Act (Public Law 96-501) to operate, manage, and regulate the CRS to adequately protect, mitigate, and enhance fish and wildlife affected by the Federal dams in the Basin in a manner that provides equitable treatment for fish

[69] See, e.g., BPA, BP-24 Power Rebuttal Testimony, BP-24-E-BPA-10, at 8–10 (discussing broad range of historical and current factors affecting anadromous fish abundance, including ocean conditions, mining, agriculture, predation, invasive species, toxic contaminants and others); Letter from Scott Armentrout, Exec. V.P., Bonneville Power Admin. to NW Power and Conservation Council (June 22, 2020), available at https://app.nwcouncil.org/uploads/2018amend/comments/1392/Final%20Council%20Addendum%20Pt%201%20C over%20Ltr%20and%20Comments%202020.06.22.pdf.

[70] *See* Memorandum on Restoring Healthy and Abundant Salmon, Steelhead, and Other Native Fish Populations in the Columbia River Basin, Joseph R. Biden (Sept. 27, 2023) [hereinafter "Presidential Memorandum] *available at* https://www.whitehouse.gov/briefing-room/presidential-actions/2023/09/27/memorandum-on-restoring-healthy-and-abundant-salmon-steelhead-and-other-native-fish-populations-in-the-columbia-river-basin/.

[71] *See also* Yakama Nation Comment at 4 ("[BPA's] estimate of fish and wildlife costs included in the IPR . . . must be adequate to restore the Yakama Nation's Treaty-reserved resources as soon as practicable . . . ."); CTWSRO Comment at 4 (similar); *id*. at 2–3 (noting that federal government's treaty and obligations apply to BPA as does a Dep't of Energy order concerning the same). The final record of decision for the BP-24 rate case included extensive analysis and discussion of BPA's tribal trust and treaty responsibilities, particularly as they relate to cost projections for fish and wildlife mitigation funding. *See* BP-24 ROD, at 99–111 (ch. 5). That analysis and discussion is relevant here and therefore BPA incorporates it by reference.

[72] Yakama Nation Comment at 3 (citing Presidential Memorandum) (emphasis and alterations in original); *see also* CTWSRO Comment at 3–4; WDFW Comment at 2; ODFW Comment at 2; CTUIR Comment at 2.

and wildlife with the other purposes for which the Federal dams are managed and operated.[73]

BPA has analyzed and briefed the scope of this statutory provision extensively in recent years, and provided examples of its compliance, all of which BPA incorporates by reference here.[74] Second, BPA notes that in the year since the 2023 Presidential Memorandum was issued, BPA has committed to the following new investments for fish and wildlife:

- **$200 million** (plus inflation adjustments) for the Phase 2 Implementation Plan's work towards reintroducing anadromous salmonids into blocked habitats above Chief Joseph and Grand Coulee dams
- **$200 million** available for Lower Snake River Compensation Plan (LSRCP) hatchery modernization, upgrades, and non-recurring maintenance
- **$100 million** (plus inflation adjustments) for projects that contribute to the restoration of salmon and other native fish populations prioritized by four lower Columbia River treaty tribes and the states of Oregon and Washington.

These commitments are in addition to BPA's forecast of **over $900 million** in expense dollars and **over $228 million** in available capital to be implemented through BPA's Fish and Wildlife Program expenditures over the three years of the BP-26 rate period, plus nearly **$105 million** for operation and maintenance of the LSRCP hatcheries over that time. The scope and scale of these investments demonstrate BPA's commitment to fish

[73] Presidential Memorandum § 1. *Compare id. with* 16 U.S.C. § 839b(h)(11)(A)(i) (directing federal agencies "responsible for managing, operating, or regulating . . . hydroelectric facilities located on the Columbia River . . . to adequately protect, mitigate, and enhance fish and wildlife . . . affected by such projects or facilities in a manner that provides equitable treatment for such fish and wildlife with the other purposes for which such system and facilities are managed and operated").

[74] To briefly summarize, this statutory provision does not apply to BPA's fish and wildlife mitigation spending but, rather, to the management and operation of physical dam and reservoir projects with respect to their storage and movement of water (*e.g.*, planning and implementing spill and flow operations). For discussion of BPA's compliance with this statutory provision, see: Columbia River System Operations Environmental Impact Statement Record of Decision, at 47–49 (Sep. 2020) *available at* https://usace.contentdm.oclc.org/utils/getfile/collection/p16021coll7/id/16248. For extensive analysis and discussion supporting BPA's interpretation of this statutory provision, see: BP-24 ROD; BONNEVILLE POWER ADMIN., ADMINISTRATOR'S FINAL RECORD OF DECISION, BP-22-A-02 (July 2021) *available at* https://www.bpa.gov/-/media/Aep/rates-tariff/bp-22/bp-22-final-decision/bp-22-a-02-bp-22-final-rod.pdf; Fiscal Year 2022 Power Reserves Distribution Clause Final Decision and Response to Comments (Jan. 2023), *available at* https://www.bpa.gov/-/media/Aep/rates-tariff/bp-22/bp-22-rate-adjustments/20230106-rdc-letter-and-attachment-a-response-to-comments.pdf; Fiscal Year 2023 Power Reserves Distribution Clause Final Decision and Response to Comments (Dec. 2023), *available at* https://www.bpa.gov/-/media/Aep/rates-tariff/rate-adjustments/FY-2024-Adjustments/20240111Administrator-LetterPower-RDC-DecisionMemowith-Attachment-A-Final.pdf; Respondent's Answering Briefs in Case Nos. 22-70122, 23-593, and 24-1653 (9th Cir.); *Idaho Conservation League v. Bonneville Power Admin.*, 83 F.4th 1182 (9th Cir. 2023).

and wildlife. BPA finds that its cost projections for the BP-26 rate period are adequate to cover the costs of its obligations and commitments.

As mentioned above, the IPR cost projections do not set in stone the amounts that BPA programs may spend during a rate period. Therefore, if additional fish and wildlife costs arise during the BP-26 years, the fact that those costs were not calculated into IPR projections does not preclude BPA from taking them on. This is true for discretionary policy decisions that might result in additional costs, as well as external forces that might impose such costs.[75] In either case, BPA has extensive financial risk mitigation mechanisms in place that allow it to address costs that were not included with pre-rate period forecasts. The commitments described in section 4 ("Recent Settlement Agreements and Related Commitments") illustrate this point; they are financial commitments that arose and began implementation during the BP-24 rate period despite not having been forecast during the IPR process that preceded it.

7. Other Topics

Cultural Resource Program

One commenter raised a question about BPA's Cultural Resource program: "In the IPR, BPA identifies a 'new organization' to provide support for cultural resource compliance services and the renegotiation of the FCRPS Systemwide Programmatic Agreement. It is unclear how this new organization is accounted for within the budget and any impacts it may have on exiting National Historic Preservation Act activities currently funded."[76]

There has been a change in the organizational structure of BPA Environment, Fish & Wildlife only. Historic preservation and cultural resource compliance, including National Historic Preservation Act (NHPA) compliance, previously were part of the Environmental Compliance sub-group but is now its own, separate sub-group, EH, and thus has a separate budget from EC, which is reflected in the cost projections. This change in agency organization is administrative and does not affect NHPA activities currently or expected to be undertaken. Please see the Initial Publication (section 6) for additional information about EH and its projected costs for BP-26.

Agreement-in-Principle for Modernized Columbia River Treaty

One comment letter raised a point regarding the Columbia River Treaty: "In the Agreement-in-Princip[l]e with Canada on the Columbia River Treaty, announced July 11,

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[75] *Cf.* Yakama Nation Comment at 2 ("The Yakama Nation remains concerned that Bonneville will provide enough funding to support the "changed circumstances and/or legal requirements" that may occur through inflation adjustments, renegotiation of long-term fish accords, or potential changes in the USG level of commitment to the RCBA."); WDFW Comment at 1 (similar); ODFW Comment at 1 (similar); CTUIR Comment at 2 (similar).

[76] CTWSRO Comment at 6.

2024, there is an immediate ramp down of power sent to Canada. The reduction of Canadian Entitlement should be accounted for to the extent that it [a]ffects the BP-26 rate case, revenues, or budget."[77]

BPA appreciates the comment. The change to the Canadian Entitlement does not create a cost implication for BPA, so it does not factor into BPA's costs projections, which are the topic of the IPR process. To the extent that reduction of the Canadian Entitlement has implications (*e.g.*, making more federal power available for BPA's customers) that might affect matters such as BPA's power rates, revenue, or budgets, those implications will be addressed in the appropriate processes that deal with such topics.

[77] *Id.*

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DOE/BP-5296 • October 2024