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June 5, 2003

The President
The White House
Washington DC 20500

RE: ***Recommendations of the Governors of Idaho, Montana, Oregon and Washington for Protecting Columbia River Fish and Wildlife and Preserving the Benefits of the Columbia River Power System***

Dear Mr. President:

Three years ago, the Governors of Idaho, Montana, Oregon and Washington released a landmark series of consensus policy recommendations for protection and restoration of fish in the Columbia River Basin.

Issued in July 2000, the *Four Governors' Recommendations for the Protection and Restoration of Fish in the Columbia River Basin* (*2000 Recommendations*) acknowledged a broad regional responsibility and commitment to fish and wildlife recovery. We also sought to provide useful guidance to federal decision-makers and federal action agencies.

Since we made our earlier recommendations, we have seen significant new pressures on the Bonneville Power Administration (BPA) stemming from the 2001 drought and the high power prices that year, with lingering regionwide price impacts including increases in power rates to BPA customers.

In the Columbia River Basin, fish and wildlife are inextricably linked to the hydropower system, which provides a majority of the electricity produced in the region. This statement builds upon our *2000 Recommendations* and goes further to address Columbia River system issues important to all Northwest citizens.

We are pleased to provide the following specific policy recommendations on the resolution of issues related to the operation of the Federal Columbia River Power System (FCRPS) and on the role of the region's federal power marketing agency, the BPA. We

look forward to your consideration and the partnership of your Administration as we seek solutions to these difficult challenges.

Sincerely,

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DIRK KEMPTHORNE
Governor of Idaho

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GARY LOCKE
Governor of Washington

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JUDY MARTZ
Governor of Montana

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THEORDORE R. KULONGOSK
Governor of Oregon

Enclosure

Recommendations of the Governors of Idaho, Montana, Oregon and Washington for Protecting and Restoring Columbia River Fish and Wildlife and Preserving the Benefits of the Columbia River Power System

Dirk Kempthorne
Governor

Gary Locke
Governor

Judy Martz
Governor

Theodore R. Kulongoski
Governor

June 2003

RECOMMENDATIONS OF THE GOVERNORS OF IDAHO, MONTANA, OREGON AND WASHINGTON FOR PROTECTING AND RESTORING COLUMBIA RIVER FISH AND WILDLIFE AND PRESERVING THE BENEFITS OF THE COLUMBIA RIVER POWER SYSTEM

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RECOMMENDATIONS OF THE GOVERNORS OF IDAHO, MONTANA, OREGON AND WASHINGTON FOR PROTECTING AND RESTORING COLUMBIA RIVER FISH AND WILDLIFE AND PRESERVING THE BENEFITS OF THE COLUMBIA RIVER POWER SYSTEM

I. INTRODUCTION

Three years ago, the Governors of Idaho, Montana, Oregon and Washington released a landmark series of consensus policy recommendations for protection and restoration of fish in the Columbia River Basin.

Issued in July 2000, the *Four Governors' Recommendations for the Protection and Restoration of Fish in the Columbia River Basin* (*2000 Recommendations*) acknowledged a broad regional responsibility and commitment to fish and wildlife recovery. We also sought to provide useful guidance to federal decision-makers and federal action agencies.

Since we made our earlier recommendations, we have seen significant new pressures on the Bonneville Power Administration (BPA) stemming from the 2001 drought and the high power prices that year, with lingering regionwide price impacts including increases in power rates to BPA customers.

In the Columbia River Basin, fish and wildlife are inextricably linked to the hydropower system, which provides a majority of the electricity produced in the region. This statement builds upon our *2000 Recommendations* and goes further to address Columbia River system issues important to all Northwest citizens. We hereby make the following specific policy recommendations on the resolution of issues related to the operation of the Federal Columbia River Power System (FCRPS), including the role of the region's federal power marketing agency, the BPA.

II. THE FOUR GOVERNORS' RECOMMENDATIONS FOR PROTECTION AND RESTORATION OF FISH AND WILDLIFE

In December 2000, the National Marine Fisheries Service (now NOAA Fisheries) and the United States Fish and Wildlife Service (USFWS) issued final Endangered Species Act (ESA) biological opinions covering salmon, steelhead, bull trout and white sturgeon in the FCRPS. The steps in the biological opinions were largely consistent with our July *2000 Recommendations*, and many of our consensus policies at that time have been carried out by the implementing federal agencies with our States as partners.

The Pacific Northwest has subsequently had nearly three years of experience in implementing the biological opinions and the "All-H," full-lifecycle strategy we endorsed in July 2000. There have been some improvements in the fresh water and ocean environments, and these improved conditions are yielding larger returns of some salmon and steelhead runs. While the increases in some anadromous stocks certainly are attributable to more favorable ocean conditions, we believe that the investments made by the region in habitat improvements and mainstem passage are contributing to the positive results.

While we are pleased with the progress made since we offered our *2000 Recommendations*, we are not complacent. There are new and additional pressures that have come to bear on the tools we have at our disposal to achieve fish and wildlife recovery. A recent federal ruling questioned the adequacy of the NOAA Fisheries 2000 FCRPS Biological Opinion. The judge identified some shortcomings that may need to be addressed under the Endangered Species Act, including the need for stronger federal commitments to species recovery and assurances that recovery activity will indeed occur.

Even though the court is being asked to vacate the biological opinion, we support continued ESA coverage for the federal action agencies during the interim as well as implementation of the species conservation measures already undertaken. We also believe the federal government should address the court's concerns by taking positive, measurable and cost-effective steps to benefit fish. These steps can be accomplished in the next year and continue to demonstrate the federal government's good-faith commitment to fish recovery.

As we discussed in our *2000 Recommendations*, discussion of breaching the four lower Snake River dams is polarizing and divisive. The Pacific Northwest made a commitment to pursue a proactive fish and wildlife recovery strategy that avoids the breaching of dams, and it remains a strategy we continue to strongly endorse.

We will continue to pursue full implementation of the biological opinions to recover our salmon, steelhead, and freshwater species because it is not only the right thing to do, but also because the failure to do so can jeopardize the federal hydropower system and re-ignite the controversy over dam breaching. The recommendations that follow will provide our region with confidence that the Northwest will continue on the course upon which we have already embarked and that we intend to pursue the components of a workable and successful species recovery strategy.

A. FISH AND WILDLIFE RECOVERY

1. The "All H" Approach

Background: Our *2000 Recommendations* identified the key elements of a regional approach to the recovery of salmonids and other aquatic species such as bull trout and white sturgeon. Those recommendations remain just as valid today. We continue to believe that the recovery and restoration of fish in the Columbia Basin must consider the entire life cycle of the species and that the burden of their conservation must be born equitably across the "H's" -- Habitat, Hydroelectric System, Harvest, and Hatcheries.

We also must continue to recognize that there is "Fifth H"-- the human element. We cannot recover fish without obtaining the participation and support of those who live and work in the watersheds. To do that, we must continue to insist upon clear and reasonable goals to measure our successes and the means to ensure that we are accountable for the actions that we take.

Further, we must build and rely upon partnerships to plan and implement recovery actions and ensure that those plans and implementing actions are based on sound science. Securing the advantage of local knowledge and support for this work and developing our information and objectives from the "bottom up" is essential to this effort. The specific recommendations that we make below build upon these key principles.

Recommendations: The federal agencies have made an important commitment to improving habitat in the Columbia River tributaries in a manner consistent with, and within the broader context of, the Northwest Power and Conservation Council's (Council) Columbia River Basin Fish and Wildlife Program. At the state level, and through the Council, we also are working with the regions' Tribes as full partners in the recovery effort. The Council in turn has emphasized the importance of implementing the fish and wildlife program in a manner that is integrated with each State's processes dealing with ESA-listed species, other fish and wildlife species and watershed issues.

The hub for this federal/regional/state/tribal effort is the subbasin planning called for by the Council's program. The biological opinions should continue to look to these subbasin plans to guide habitat, hatchery, and harvest actions in the watersheds throughout the Columbia Basin in the coming years.

While we acknowledge the current legal uncertainty surrounding the biological opinion for anadromous fish, fish and wildlife recovery in the Columbia Basin cannot occur without the subbasin planning program that has been put into place in the Columbia Basin. It is an essential component of the All-H approach.

Through this program, a substantial investment of time and money has been made by State and local governments, Tribal governments, volunteer groups and individual citizens. We need to honor and respect this commitment to fish and wildlife recovery at the local level. We will do a great disservice to our fish and wildlife recovery effort and those involved with that effort if it is invalidated. We are on the right path and must stay this course.

2. Recovery Plans

Background: Under the Council's Fish and Wildlife Program, subbasin planning is underway in most of the Columbia Basin's 62 subbasins. A template has been provided to guide the components that must be included in the subbasin plans, including those habitat restoration and hatchery strategies that address ESA needs. After these plans are submitted to the Independent Scientific Review Panel (ISRP) for review, and after approval by the Council, completed subbasin plans, consistent with the template, should be incorporated by NOAA Fisheries and the USFWS in integrated draft recovery plans at the population and evolutionarily significant unit (ESU) scales.

Each State does not now have clear guidance from the federal government about the full suite of actions that constitutes a draft recovery plan so that their own processes can be used to develop the plans. In addition, USFWS bull trout recovery planning efforts are not adequately coordinated with other plans.

Recommendation: Guidelines consistent with the ESA for both population-scale and ESU-scale recovery plans may be prepared and submitted to NOAA Fisheries and USFWS at the discretion of the individual states based on completed subbasin plans. These federal agencies should endorse such guidelines in a timely manner -- within six weeks of their submittal by individual States. The States have confirmation from NOAA Fisheries that the subbasin planning template provided by the Council is adequate for population-scale recovery plans, but we require a similar confirmation that our guidelines for developing ESU-scale recovery plans will be accepted.

By September 1, 2003, NOAA Fisheries should indicate by name those individuals who will work with each State's organizations responsible for recovery planning so that they have continuous, accurate guidance from them as to what constitutes an approved recovery plan. The USFWS should continue to work with each State to ensure that its expertise is available to subbasin planners and to ensure that subbasin plans and ESA planning under its charge are consistent.

3. Recovery Goals

Background: We are particularly concerned that the pace of the Interior Columbia Technical Recovery Team's (TRT) efforts to establish the requisite fish and wildlife recovery goals in the Columbia Basin is not well synchronized with each State's fish and wildlife recovery and protection planning.

The subbasins are developing their respective fish and wildlife subbasin plans based on the template provided by the Council and with only interim abundance based salmon recovery goals from NOAA Fisheries. Subbasin planning is proceeding as rapidly as is possible and prudent, largely to meet the NOAA Fisheries demand in its 2000 FCRPS Biological Opinion.

We need to avoid a situation where the subbasin plans are finished on schedule next spring only to find that they do not adequately address new or different recovery goals set forth in the separate TRT process that appears to be disconnected from and on a slower schedule than subbasin planning.

Recommendation: The TRT process must ensure federal recovery efforts are integrated with each pertinent State's subbasin and regional processes, both substantively and in scheduling. Technical coordination between the TRT and state subbasin planners and regional processes must occur as early as possible. The policy implications of TRT products should be considered carefully and in coordination with state, Tribal and local governments before release. There may be several alternatives to resolve this situation, including a contracting arrangement with each individual State in order to meet these objectives.

4. ESA Assurances

Background: Fish recovery under the ESA incorporates numerous actions involving local governments and private landowners on a geographic scope never before attempted. Local governments and landowners are willing to develop incentive-based programs that address listed species concerns but, in so doing, they want assurance that they will be afforded some degree of legal protection under terms of the ESA. In the absence of progress or such protection, there is little practical incentive to become active partners in a federal recovery plan.

Recommendation: By the end of the year, NOAA Fisheries and USFWS should resolve with the Council and appropriate State organizations what types of legal assurances will be provided for approved subbasin plans and their implementation in the Columbia Basin. As part of that resolution, NOAA Fisheries and USFWS should define any procedural and/or review requirements that they believe are necessary for each type of assurance that they will provide.

5. Monitoring and Accountability

Background: We are engaged in a long-term sustained initiative to recover salmon, steelhead, white sturgeon and bull trout in the Columbia Basin which involves considerable effort and funding. Recognizing that steps have been taken in this direction, a comprehensive and integrated monitoring system needs to be put in place so that we know whether – and the degree to which - we are making progress, and whether we are getting results for the money expended. This is an important component for both biological opinions.

Efforts to design a monitoring and evaluation program to date have been dominated by the federal agencies without appropriate regard for the work and programs already being designed or implemented by the States and without an

appreciation for the reliance that a comprehensive monitoring and evaluation system will have on State, Tribal and local entities for implementation.

Recommendation: By this fall, the Council should convene meetings with the four States, the federal agencies and the fish and wildlife managers to design, by year's end, an integrated, complementary and scientifically sound monitoring system for counting fish that includes budgets and priorities. Also, the Council, working closely with States, federal agencies and Tribes should develop, again by year's end, a draft systemwide research plan with budgets and priorities. An equitable plan for funding the implementation of this program needs to be a part of what is provided. The Council should report to the Governors on its progress in meeting this goal.

B. FEDERAL AGENCY FUNDING

Background: The federal ESA action agencies – BPA, Bureau of Reclamation, and the Corps of Engineers – all have substantial commitments to fish and wildlife recovery in the region. While we recognize that we are in an era of constricted federal budgets, commitments for fish and wildlife funding need to be completed if we are to comply with the requirements of the ESA and Northwest Power Act while meeting the broader economic and societal objectives in the region.

Recommendation: We support federal agency budgets that reflect commitments made to Columbia Basin fish and wildlife and the "All-H" approach. We also will work as States with regional partners and with the Council, to secure congressional support for separate appropriations - including additional appropriations to the States - to meet these commitments.

C. FISH AND WILDLIFE PROGRAMS

Background: The Northwest Power Act requires the Council to prepare a program to protect and enhance fish and wildlife and mitigate habitat losses caused by the development and operation of the hydrosystem. For the last decade, we have been largely preoccupied with ESA-listed fish species in the Columbia Basin. Frequently, because of limited resources, these two efforts are portrayed as being in opposition to each other so that project funding for ESA-listed species is viewed as competing with mitigation actions for non-listed species.

In our judgment, too much of a distinction between ESA-listed and non-listed fish and wildlife species is being made in fish and wildlife planning and implementation activities. When species are listed under the ESA, it means we may have failed in our management responsibilities. By focusing planning and implementation on all species, the Council's proactive approach can work to prevent future listings of fish and wildlife species under the ESA while addressing, as a subset, those that are listed.

Recommendation: We strongly endorse the Council's Fish and Wildlife Program as a comprehensive, integrated and preventive approach to address fish and wildlife issues in the Columbia Basin.

The Council recently adopted a new Mainstem Plan as part of its Program with a core principle being that the entire Columbia Basin ecosystem and hydroelectric system must be considered as a whole. We urge the federal action agencies to fully implement the Council's Fish and Wildlife Program including the Mainstem Plan as soon as is practicable.

The Council and Bonneville, in consultation with the four Northwest Governors and the other federal agencies, should develop a new funding agreement to provide more predictability and certainty for fish and wildlife spending over the next few years. This agreement should be in place for the next fiscal year beginning in October 2003.

D. RESULTS NOT PROCESS

Background: The challenge for the Columbia Basin is to overcome the propensity for paralysis. The Basin consists of multiple jurisdictions involving international, federal, State, local and Tribal governments, and businesses and private landowners. We have initiatives underway for power, fish and wildlife, ESA, and predators, as well as the *U.S. v. Oregon* litigation dealing with hatcheries and harvest. The challenge is how to effectively move forward together in all of these areas without getting bogged down where process substitutes for results.

Recommendation: In regard to ESA-listed species and the Council's Fish and Wildlife Program, we need to set clear goals for what we want, clear schedules for when we want it, clear direction for who is responsible for taking action, clear identification of cost-effective approaches to meet our goals, and clear accountability to measure whether or not we have accomplished what we set forth to do.

Our first step in this regard is to request that the Council provide us with a report on the status of these recommendations by the end of the year. We also request a report from the Council and from NOAA Fisheries and USFWS on the implementation of the biological opinions in each State as part of this report. We also endorse the use of the Council's Regional Coordination Group to coordinate and oversee subbasin planning where issues can be raised and solutions recommended regarding implementation of the subbasin plans and planning and the relationship of those efforts to ESA-based requirements.

III. BONNEVILLE POWER ADMINISTRATION

The Bonneville Power Administration (BPA) was created 66 years ago. It was the product of visionary leadership that believed the Columbia River could provide enduring social and economic benefits for our individual States and for our region as a whole.

The Federal Columbia River Power System (FCRPS) brings renewable and non-polluting electricity to our homes and businesses, and provides 75 percent of the region's highest-voltage transmission. It provides a major navigation highway for the Northwest and the Interior West, its flood control system protects our land and cities, and its water irrigates our crops and provides recreational opportunities. The Columbia River not only ties us together as a region but also ties us to Canada and California as part of a vast, integrated electricity system.

The BPA markets the power generated by the FCRPS. The FCRPS provides us not only with a formidable economic engine for the region, but also with the ability to meet our environmental and treaty obligations. It is our system, built by our leaders and workers on our waterways and across our landscapes, and we must protect this valuable legacy.

We follow in the footsteps of earlier leaders who have stepped forward to meet the challenges faced simultaneously by BPA and the FCRPS. Today, we again face new threats to BPA, and threats to the customers who rely upon BPA. We have several recommendations in these areas.

A. PROTECT THE REGIONAL AND NATIONAL ECONOMY

1. BPA's Benefits

Background: The Pacific Northwest - and the nation - benefit from the FCRPS. Recent events, including the combined effects of the volatile Western energy market, lack of generation capacity, drought, BPA's current financial position and unrealized savings and revenues anticipated in prior rate making decisions, have placed serious pressure on our power system and our State economies. In many areas, electricity rates have increased significantly and are not expected to decline for the foreseeable future. We are at risk of losing the advantages the region has enjoyed from low power rates for over a half century.

Controversies over the allocation of federal-based power continue to arise. BPA must work within the region to ensure implementation of solutions to protect the benefits of the federal hydropower system.

Recommendation: We urge BPA's customers, including public and private utilities, to reach agreement on the sharing of BPA's benefits. Parties to these discussions should stay at the table and continue to work to find a solution that can enjoy broad agreement and minimize or avoid the currently proposed BPA rate increase.

2. BPA Operations Review

Background: BPA faces tremendous financial challenges this year resulting from the California and regional energy crisis and near record drought of 2001 and the projected rate increases this year for its customers. To deal with this situation, BPA has looked for ways to cut back on spending, including funding for the offsite habitat work called for in the biological opinions.

Given the vulnerable state of our regional economy, we believe Pacific Northwest electricity customers are not prepared to absorb another large wholesale rate increase. BPA must do everything within its power to avoid or minimize rate increases now and for the remainder of the current rate period and place the agency on a path to stable and affordable rates soon. We believe these efforts must include securing all available efficiencies without compromising its essential functions.

We understand the need to find cost reductions in all areas, including fish and wildlife. However, we are concerned that sustained or deep funding reductions by BPA in its Fish and Wildlife Program could jeopardize the recovery progress we have made and put BPA at legal and financial risk.

Recommendation: We acknowledge the difficulties currently confronted by BPA managers, and we encourage their continued efforts to resolve them. We call upon BPA, in consultation with the Council, to undertake a process to establish priorities within its operations, and to focus its resources on those areas that are most critical to its mission and bring the greatest benefit to the Pacific Northwest. Such a process should involve BPA management and employees, working with the Council, and should provide external validation through participation and review by independent persons with knowledge of and experience in energy, fish and wildlife operations, budgeting, management experience and other relevant areas. We request that BPA provide a report to the Governors on its progress on this matter by the end of the year.

B. CLARIFYING BPA'S FUTURE

Background: For several years, the region has been engaged in discussions over the future of BPA, including the 1996 Comprehensive Review of the Northwest Energy System. Last fall the region's utilities unveiled a proposal to address BPA's future.

The Council and BPA jointly engaged in a regional dialogue on the proposal, which is consistent with a recommendation of the Comprehensive Review and other efforts to address BPA's future. The Council submitted recommendations to BPA to resolve some of the most important electricity policy questions currently facing the region, especially the need to clarify responsibility for building new generating resources to support load growth.

Recommendation: BPA must address its future in the region. There is considerable consensus among BPA's customers and among regional energy policy leaders as to the direction BPA should follow. We believe that the regional dialogue should be reinitiated immediately under the joint auspices of the Council and BPA. Joint responsibility is necessary to afford credibility to the final results of the dialogue.

We stress the importance of achieving a role for BPA that is sustainable for the long term. The Council's recommendations provide direction and include:

1) Long-term contracts to demonstrate a continuing commitment to meet the costs of the federal power system and related stewardship obligations. Committing to long-term contracts will help preserve these benefits for the Pacific Northwest;
2) A limited role for BPA in serving the load growth of its customers. In most cases when BPA accepts the obligation to meet load growth, it should be on a bilateral basis with customers bearing the full cost of resources acquired to meet their needs;
3) Fulfillment of existing fish and wildlife obligations; and
4) Pursuit by BPA of regionwide conservation and renewable resource opportunities.

Until we accomplish these objectives construction of resources to meet new load growth will be delayed, placing the region at risk of another electricity crisis.

C. TRANSMISSION

Background: Electricity in the Northwest is highly integrated with the BPA system that operates 75 percent of the highest voltage lines of the region's transmission system. In recent years, the Federal Energy Regulatory Commission (FERC) has attempted to continue standardizing the electric wholesale market and the structure of the transmission system. The proposed rulemaking on Standard Market Design is the most recent attempt. The debate on these issues has uncovered differences in regional electricity markets and spotlighted the need for practical regional solutions rather than a single national design.

Recommendation: The FERC and Congress must ensure that any restructuring of the transmission system in the Northwest is compatible with our regional system as defined by our regional processes. For the Northwest, the FERC should support the voluntary formation process of Regional Transmission Organizations (RTOs). The Governors expect that any changes that are made to the operation of the transmission system in the Northwest will benefit the region.

IV. OUR COMMITMENT

The vitality of BPA and the health of our fish and wildlife in the Columbia Basin are mutually dependent. We cannot focus on one side or the other, or promote one at the expense of the other. Our leaders saw the necessity for this balanced approach between power and fish and wildlife two decades ago during the debate over the Northwest Power Act. We remain committed to this balanced approach.

We acknowledge that the FCRPS benefits have come with a cost -- adverse impacts on the Columbia Basin's fish and wildlife. With our locally based efforts in the watersheds, we are following through on our commitments while we are avoiding becoming sidetracked by issues that will only divert and divide us as a region. We will stay the course and solve our problems as a region. We will continue to pursue full implementation of the biological opinions to recover our salmon, steelhead and freshwater species not only because it is the right thing to do, but also because the failure to do so will jeopardize the federal hydropower system. Breaching the four lower Snake River dams must not be an option.

The Columbia River and all its tributaries have provided immense benefits to the Northwest in natural resources and hydropower production. Despite the fact that the hydropower system is indelibly woven into our region's economy and natural environment, threats continue from outside the region that challenge our right to our own resource. Certain interests outside the Pacific Northwest continue to covet the benefits of the Columbia Basin, challenging our right to cost-based power and not fairly crediting BPA with its assistance to California during that state's energy crisis.

The Pacific Northwest Governors and other public officials of the region will maintain a united front to oppose any challenge to degrade the regional benefits provided by the federal hydropower system in the Pacific Northwest. Reliable, cost-based energy of the FCRPS is the bedrock of our regional economy, and the revenue it produces is the lifeblood for financing the restoration and protection of our fish and wildlife as well as for meeting our Tribal treaty responsibilities.

We have accepted financial responsibility for this system, including the attendant natural resource stewardship for many decades, and we will continue to do all we can to protect and preserve the benefits of the Federal Columbia River Power System.