

Independent Economic Analysis Board Meeting Notes

March 6, 2014

Members Present	Members Absent	Guests
Roger Mann		Tony Grover
Bill Jaeger		Jim Ruff
Noelwah Netusil		
JunJie Wu		

1. *Greetings and Introductions.*

Chair Roger Mann welcomed everyone to today's meeting of the Independent Economic Analysis Board, held March 6, 2014. This was a face-to-face meeting. The following is a summary (not a verbatim transcript) of the topics discussed and decisions made at this meeting. Anyone with questions or comments about these notes should contact Tony Grover at 503-222-5161.

The minutes from the IEAB's December 2013 meeting were amended and approved. The group devoted a few minutes of discussion to the recently-discovered crack in Wanapum Dam and its as-yet-unknown economic, generation and fish passage impacts, which could be extremely serious and far-reaching.

2. *Discussion of Draft "Economic Considerations Regarding Amendments for the 2014 Fish and Wildlife Program" Recommendations.*

The group discussed the recent Sandy River hatchery decision in federal court (regarding the impacts of hatchery fish on wild stocks), and its potential impacts on hatchery programs in the Northwest, Mann suggested that one potential area of investigation the IEAB might consider is an analysis of the economic benefits of hatcheries. There is a cost-effectiveness foundation for our work, but perhaps, given our expanded charter, there might be an opportunity for us to look at benefits as well as cost effectiveness of hatcheries, Jaeger said. We would need some help from the biologists to identify the specific scenario we would be analyzing, Mann observed. It may be too big a bite for the IEAB to try to take on in the time available, Grover said -- there is a huge amount of information that has come out recently on hatcheries, and if you tried to do more than pose a series of high-level questions, you would run the risk of being wrong about a very polarizing issue. I'll discuss it with staff, and get back to you, he added. It would probably make sense to defer this topic to a future task, Mann said.

At this point, all of the members, plus Tony Grover, have provided comments on the draft, said Mann; my general observation is that it's in pretty good shape. He drew the group's attention to Wu's comment that the IEAB's recommendations will cost money, but at this point, it's impossible to know whether those recommendations will be of practical benefit. We're suggesting areas in which we would like to have physical measures of program effectiveness that we, as economists, can work with, Mann said. Do we want to add language that provides some additional context to our recommendations?

The group devoted a lengthy discussion to Wu's comment and the document itself, touching on the following major topics:

- The importance of identifying low-cost, low-risk, high-potential-reward recommended actions, as opposed to high-risk, high-cost recommendations.
- An example is the Chief Joseph hatchery – is it worth the risk to install a weir that blocks every fish entering the Okanogan River, allowing workers to pass all wild fish over the weir while retaining hatchery fish?
- Wu's question, in essence, was, "At what point are we spending too much on monitoring and evaluation (M&E)?" The consensus was that that is a very difficult question to answer, primarily because it is hard to calculate the value of the data until it is collected. Do the benefits in terms of enhanced decision-making justify the cost of collecting that information? At this point, the quality of many of these measures is speculative, Wu observed.
- It was noted that these observations apply only to discretionary measures; much of the M&E work in the basin is required by the ESA and other regulations.
- Mann suggested that the group add the following language: "We are unsure if the potential cost of our recommendations is worthwhile. For now, we would like to encourage a scientific dialogue regarding those potential benefits."
- The importance of acknowledging the temporal dimension of the actions the IEAB recommends — the fact that some research projects are of a fixed duration, while others tend to be ongoing for a lengthy and indefinite period.
- Ruff observed that more targeted M&E programs, similar to the approach the Corps uses when installing a new bypass system, or habitat M&E programs that measure shade coverage once every five years, rather than annually, are beneficial to the region.
- Toxic contaminants are a potential limiting factor for some stocks, but also a potentially huge and expensive research undertaking, too large to address in this paper and worthy of a separate analysis. It was noted that this is a politically-charged issue with significant questions surrounding the extent of the problem and who is financially responsible for studying and mitigating it. There is no way to touch the toxics issue in a small way, Grover observed. However, it's an important, emerging topic, worthy of mention in this document, was the consensus.
- The fact that agency imperatives (such as deriving a major share of an agency's revenues from license sales, rather than from a given state's general fund) can conflict with sound population management practices (as in the case of managing exotic fish

species such as walleye and bass); it may be useful for the IEAB to suggest alternative funding approaches.

- Wu observed that it may be premature for the IEAB to recommend increased exotic species removal efforts, at least for biological reasons. While there are obvious benefits to a popular fishery for walleye and other species, there isn't enough scientific evidence to show beyond dispute that removing those fish from the river will increase smolt-to-adult survival for native fish. Intuitively it makes sense, but it's at least possible that the natural selection that occurs when a walleye or a bass eats a salmon smolt is actually beneficial, because they are removing less-fit fish from the population. There was general agreement that more biological evidence is needed before the biological benefits of exotic species removal can be quantified. Or the trophy walleye might be eating only juvenile walleye, bass and pikeminnow, rather than salmon smolts, another participant observed. On the other hand, another participant observed, an aggressive exotic species removal effort could also be a win-win for both salmon and for recreational fishermen.
- In general, it was agreed that characterizing these recommendations as opportunities, rather than threats, would be the most beneficial approach.
- There was further agreement that additional discussion, revision and review is needed for the non-native and invasive species recommendation.
- With respect to the climate change recommendation, Grover noted that one major research trend is the effort to "downscale" available climate change models from a global scale to more localized effects. So far no one has been able to do so successfully, he added; climate change research and modeling efforts aren't quite there yet. It's apparently a very difficult thing to do in a way that creates acceptable confidence in the results.
- The group devoted a few minutes of discussion to potential preparations for a major earthquake or volcanic eruption on the Columbia and its dams, and to the feasibility of developing contingency plans: for example, for finding alternate markets for FCRPS generation in the event of a major disaster affecting the Northwest power grid.
- Ruff suggested that the IEAB express its predation recommendations in terms of adult equivalent mortality.

Ultimately, Mann said he will incorporate the comments and changes made at today's meeting into a new draft of the *Economic Considerations* recommendations document, and will circulate it for IEAB review sometime next week. Overall, said Ruff, I thought this looked pretty good. I especially liked the idea of including O&M costs, because the region is talking about installing a whole new generation of fish passage systems which will create a new generation of O&M obligations.

3. Discussion of IEAB Member Vacancy.

The group discussed the upcoming selection process to fill current IEAB vacancies. Grover noted that about three-quarters of the current list of candidates hail from the Willamette Valley; it

may make sense to try to encourage as much geographic diversity as possible in the IEAB membership, although other considerations and qualifications are probably just as important. He added that the IEAB's views on individual candidate rankings would be extremely valuable to the Council. It was noted that someone with a legal background could be very helpful to the IEAB, as would candidates with above-average communications skills.

Mann said he is a little unsure what the IEAB's role will be in the selection process. PNWREC will be developing a ranked list of candidates; should we advise them? Mann asked. I think that would be appropriate, Grover replied — it would not be appropriate for the IEAB to lead the process, but once PNWREC's list is complete, I would expect that both the IEAB and Council staff will add their input. He added that once all of this information is assembled, he will take it to the full Council, which will make the final selection. I want to be sure that the IEAB and Council staff are on the same page, Grover said; hopefully PNWREC will be on the same page as well.

Jaeger noted that geographic location could help narrow the list of candidates significantly; he said that, in his view, it would make sense to give preference to candidates from outside the Willamette Valley. By the same token, he said, there would be difficulties associated with accepting anyone who lives on the East coast, far away from the issues affecting the FCRPS. There was general agreement with this suggested guidance.

The group spent a few minutes discussing the current list of candidates, ultimately narrowing it to three or four top options, with Yoder and Morlan at the top of the list. There was general agreement that it is a very strong pool of candidates, and general relief that the IEAB does not have to make the final selection.

4. Discussion of Potential Tasks for 2014.

Mann asked whether the IEAB is likely to be involved in any power-related analyses over the next two years. I see that as very unlikely, Grover replied. Mann noted that the group has also discussed the potential for additional tagging-related analyses; again, Grover said this is unlikely, because the solutions to the tagging issues have turned out to be primarily political, with senators and congressional representatives weighing in directly. What about ecosystem services? Mann asked. I think that topic may well emerge as a primary outcome of the updated Fish & Wildlife Program, Grover said. The way the draft Program is shaping up right now, it appears likely that we could be describing nearly everything we do, aside from hatcheries, in terms of ecosystem services. Ruff noted that he had suggested ecosystem services as a potential upcoming topic of ISAB analysis; however, it wasn't ranked highly enough to make the list of upcoming ISAB projects. However, it may be possible for us to enlist ISAB help with such an analysis, Grover said.

Grover said that water is a potential topic for IEAB analysis over the next several years. Mann suggested that water transactions would be a potentially-informative sub-topic for such an analysis. That's a possibility, Grover said. One other potential topic: is there such a specialty as conveying economic information intelligibly to the public? he asked. There was general

agreement that there is — the work of Paul Krugman, for example. One of our purposes, as a Council, is to convey information about the FCRPS to the public, Grover said; there are a couple of Council members who have begun to encourage us to be more effective on that front. Those efforts could include everything from classroom visits to kiosks to publically-distributed papers. Certainly above-average communications skills would be a desirable attribute for our IEAB candidates, one participant suggested.

5. Next IEAB Meeting Date.

A meeting date was not chosen for the next meeting of the Independent Economics Analysis Board; instead, it was agreed to conduct a Doodle poll to set a date. Meeting summary prepared by Jeff Kuechle, NWPPC contractor.