Northwest Power and Conservation Council

March 4, 2005

MEMORANDUM

TO: Council

FROM: Terry Morlan

SUBJECT: IEAB Presentation - Agenda Item 14

On Thursday March 17 the Council's Independent Economic Analysis Board (IEAB) will make a presentation to the Council. Because there are new Council members, the presentation will begin with a brief summary of the IEAB and its activities and responsibilities. This will be followed by a summary of the IEAB's report on its work under Task 85- Feasibility Analysis: Columbia River Mainstem Passage Cost Effectiveness. The presentation will be made by Dr. Roger Mann the current chair of the IEAB and the principal author of the report.

Task 85 is a follow-up study to the IEAB's report on *Juvenile Passage Cost Effectiveness Analysis for the Columbia River Basin: Description and Preliminary Analysis.* That report illustrated the relative cost-effectiveness of spill and some alternative actions to increase juvenile migration survival. Task 85 was intended to investigate the feasibility of extending the earlier analysis to a broader array of mainstem actions intended to improve juvenile survival.

Cost-effectiveness analysis addresses the question of whether the same or increased biological effects can be achieved at lower cost. It can help answer the question of how to maximize salmon survival from a given budget. It explicitly does not answer the question of whether the expected benefits of specific actions are commensurate with their costs.

The IEAB completed its Task 85 report in November 2004. It appears on the Council's IEAB website as document IEAB 2004-2 entitled *Scoping for Feasibility of Columbia River Mainstem Passage Cost-Effectiveness Analysis*. (http://www.nwcouncil.org/library/ieab/ieab2004-2.htm) The IEAB study uses the proposed 2004 summer spill reductions and analysis as the context for its feasibility analysis.

The IEAB report finds that, although important insights can be gained, it is not feasible to make conclusive cost-effectiveness determinations for the proposed spill reductions and the proposed offset measures. The primary reason is a lack of sound scientific information on the effects of

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spill and the proposed offsets on salmon and steelhead survival. The cost of spill is relatively well understood and therefore so is the savings in cost from reduced spill. But comments on the biological effects of reduced spill and the proposed offsets evidenced little agreement.

The IEAB noted some weaknesses in the process followed to try to reach agreement on reduced summer spill and offset measures. The offsets considered were expected to mitigate any losses from reduced spill in the summer of 2004. This process did not allow consideration of alternatives that require investment and more time to implement, even though such offsets could be cost effective. An example is installation of removable spillway weirs (RSWs), which the IEAB's earlier mainstem cost effectiveness report found to be more cost effective than summer spill. Another potentially useful approach would be to solicit proposed offset measures from fish and wildlife agencies and tribes that in their opinion could effectively mitigate for spill reductions. Some offset proposals were received from agencies and tribes, but the time constraints on the process precluded reaching agreement to proceed.

The IEAB concluded that there is a need for a longer-term policy to be developed.

> "There is a need for a process that can consider offsets that can only be implemented in the long run. Some of the best potential offsets: RSWs, for example, could not be evaluated within the short time frame of the spill reduction proposal. The 2004 process for proposing spill reductions and offsets was simply too short to consider all forms of potential offsets. A long-term process would also be better able to involve stakeholders, conduct the necessary research, resolve key issues, and recommend changes in a fully inclusive and scientific way."

Attachment: A list of current IEAB members, their affiliations and areas of expertise.

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Independent Economic Analysis Board:
Members Summary

Joel Hamilton-
Ph.D. Agricultural Economics, Berkeley
Professor Agricultural Economics, U. of Idaho
Agricultural economics, irrigation, water use, navigation, local area impacts, and non-market valuation of natural resources

Daniel Huppert-
Ph.D. Economics, U. of Washington
Associate Professor, Institute for Marine Studies, UW
Principal author, Economics of Snake River Salmon Recovery
Fishery economics, management, policy

Roger Mann-
Ph.D. Colorado State University
Founder and Principal, RMecon
Broad experience in economic evaluation of natural resource projects

Ken Casavant-
Ph.D. Agricultural Economics, Washington State University
Professor Agricultural Economics, Washington State University
Noted expert in the economics of the transportation sector.

Hans D. Radtke-
Ph.D. Agricultural Economics, Oregon State University
Freelance Economist, Adjunct Professor Oregon State U.
Past Chair, Pacific Fisheries Management Council
Noted expert in local economic effects of fisheries

Lon Peters-
Ph.D. Economics, Yale University
Economic Consultant; President, Northwest Economic Research Inc.
Northwest electricity system configuration and economics

Noelwah R. Netusil-
Ph.D. Economics, University of Illinois
Associate Professor of Economics, Reed College
Non-market evaluation, environmental economics

Susan S. Hanna-
Ph.D. Agricultural and Resource Economics, Oregon State University
Professor of Agricultural and Resource Economics, Oregon State University
Member of the ISRP and ISAB
Fishery economics and management policy