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April 5, 2005

## MEMORANDUM

**TO:** Fish and Wildlife Committee Members

**FROM:** Patty O'Toole, F&W Program Implementation Manager

**SUBJECT:** Design of the next project selection process

The purpose of this memo is to discuss with the committee the next project selection process. As discussed with the Committee previously, work to develop and perform the review must be performed during FY 2005 and 2006 to yield Council recommendations for Bonneville funding by the start of FY 2007. Staff is beginning to design the next project review and selection process. We would like to discuss three main topics: desired outcomes of the review process, review organization, and key review elements (both what worked well in the past and what might need to change for the next review). We are not asking for any decisions at this meeting, but would appreciate guidance and comments. We will continue working with members and staff as we further develop the process.

1. Staff would like to discuss the outcomes we are trying to achieve:

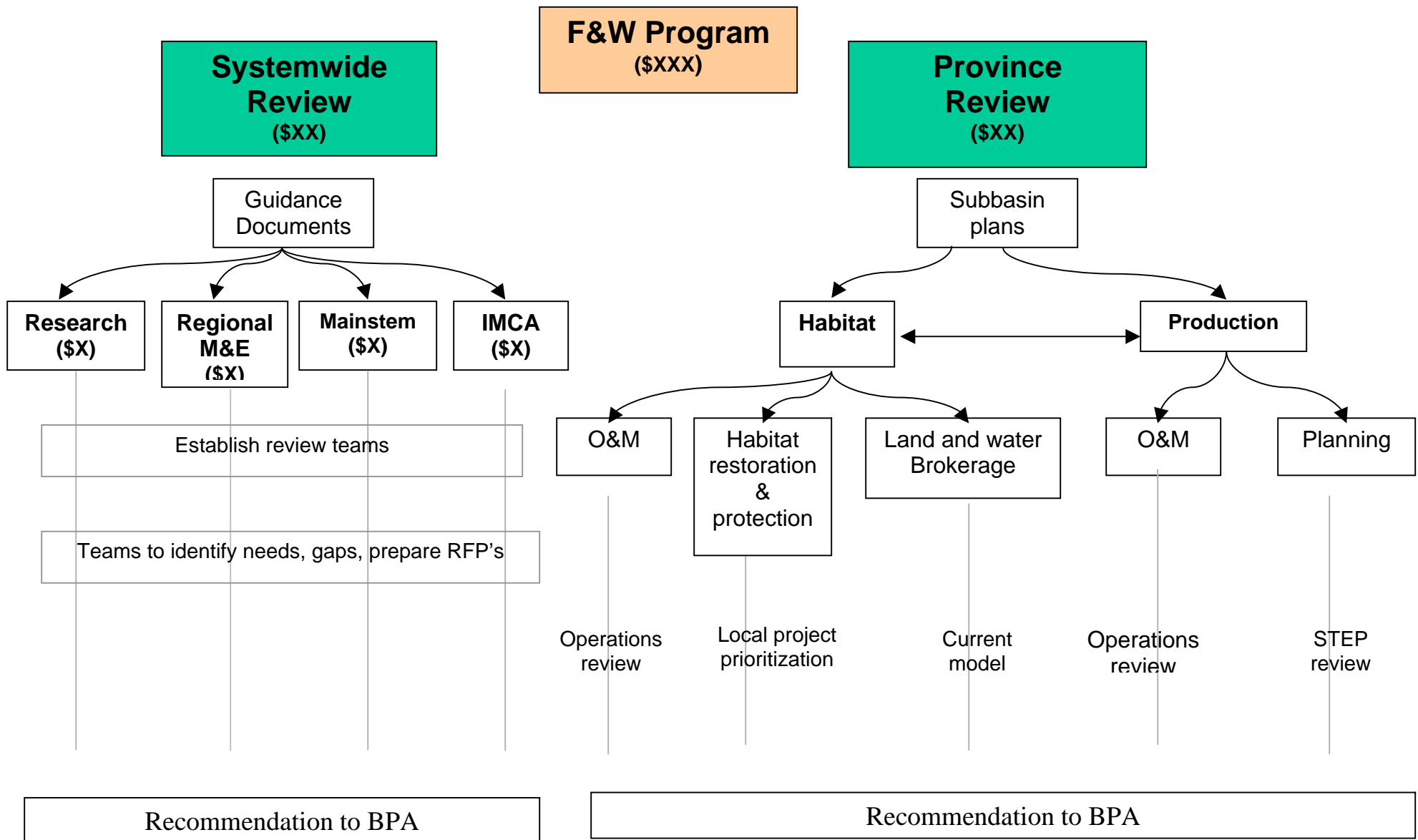
- Review the whole program consistent with Section 4(h)(10)(D) of the Power Act, involving ISRP review, public review, and then Council review and recommendations
- Provide enough time for a thorough review in context, which means that it might not be possible to do the whole program all at once and complete the review in one year. As in the previous review, we may need to stagger or roll through different parts of the program, as quickly as possible.
- Provide result will be multi-year recommendations
- Implement subbasin plans. The plan is to use them as the source documents for evaluating and recommending tributary/mainstem reach habitat and production actions
- Recognize that a big part of the direct program involves activities outside of the subbasin plans (systemwide), such as research, monitoring and evaluation, coordination, mainstem actions and that guidance documents or efforts now or will soon exist to direct and prioritize these activities
- Integrate ESA needs successfully

- Shift the Council's recommendations to an emphasis on performance objectives and results that the Council wants to obtain, and leave more flexibility and local input for the actions to be selected (e.g., adapting the water brokerage process or a functioning model watershed process to larger parts of the program). This *has* to be coupled with the development of appropriate procedures and controls for reporting results, monitoring and evaluation, and data management so we can be confident with this approach
- Decide on a (scientifically) sound allocation of resources across the program, including an effort to increase the proportion of program funding on habitat and production (on-the-ground) work and decrease proportion in the other areas

2. We need to provide additional organization of work in the Fish and Wildlife Program. In particular, our current thinking is to expand the systemwide area of the program to include additional categories, and pull associated work from the provinces, into these categories. For example, research activities previously solicited for and reviewed under the provinces, would be reviewed with all other research under the "systemwide" area of the program (see diagram).

We envision separate review tracks for each of the categories in the systemwide area. These include research, monitoring and evaluation, information management, coordination and administration (IMCA) and mainstem work. We believe that organizing the program this way breaks the program into manageable categories. This organization supports separate, but integrated review tracks and distinguishes the parts of the program that are guided subbasin plans and those that are guided by other documents or efforts.

This organization would lend itself to setting a funding allocation for each category, based on current needs and a proposed geographic allocation for provincial reviews (see diagram). More work needs to be conducted by staff to fully explore the allocation issue, but the basic organization described here will provide focus for the discussion.



3. The general consensus in the region is that the process designed for the last provincial review worked well. Therefore, we are starting from the assumption that this is the basic model we will use again. The following were the key elements for the provincial review:

- The Council organized ad hoc provincial review groups, with relevant agency and tribal personnel at core but also with other local participants.
- The Fish and Wildlife managers developed “subbasin summaries” to provide the context for on-going efforts and objectives.
- The Council recognized the total direct program budget available and developed a rough budget allocation for each province (after the first few provinces were reviewed and recommendations made).
- The Council/Bonneville solicited projects for each province, in groups of two or three provinces per year.
- Province review groups shaped a proposed package of projects for funding.
- Proposals underwent thorough ISRP review for technical soundness, logical fit in overall subbasin effort context, consistency with program priorities, etc. This review included site visits and interaction with project sponsors and others.
- Public review occurred, and included a “fix-it loop” in which project sponsors/project review groups had an opportunity to fix problems identified by ISRP. The Columbia Basin Fish and Wildlife Authority (CBFWA) provided a technical review of the proposals and submitted annual recommendations in the shape of a work plan.
- Council review all of the available information and formed multi-year recommendations to Bonneville for each province, based on province group recommendations, ISRP review, public comments, responses from project sponsors and groups, etc.
- Province review and recommendations were on-going over the three years. The Council produced an annual implementation work plan and start-of-year budget representing the Council new recommendations from those provinces reviewed that year plus on-going start-of-year work and budgets for those provinces not reviewed that year.

However, there are also some differences from where we were in 2001 and some principles we want to emphasize more strongly than last time (we now have subbasin plans, we want to emphasize performance and objectives; design a different type of review for operations and maintenance projects). These are differences that will require some adaptations in the process. For this reason, the following are ideas for revisions for the next review model:

- We now have subbasin plans. These will form the basis for defining implementation work plans for the subbasins guiding priorities, objectives and actions. And all tributary proposals and recommendations for on-going and new work will be evaluated for consistency with subbasin plans. We do not anticipate the need for general solicitation of projects; instead we propose to solicit for work consistent with subbasin plans.
- We now have guidance for other areas of the program including research, monitoring and evaluation, mainstem and coordination efforts. Priorities for these areas exist (or will soon) and reviews will be established to identify the work needed to meet the priority needs.
- We will also need to make sure to integrate whatever ESA needs exist, especially to make sure tributary and estuary habitat and production needs that are defined out of subbasin plans, are also responsive to ESA obligations.

- We will need to organize province-level review groups again, but may shift more of the shaping of subbasin packages to subbasin groups first. This is described further below.
- We believe there should be an emphasis made to focus the Council more on asking for and recommending performance objectives, priority criteria and desired results, and leaving more flexibility in the on-going selection of the work and projects to meet these objectives. This will work only if we are comfortable that mechanisms are also in place for reporting results and evaluating progress.
- Operation and maintenance (o&m) for multi-year production and habitat investments needs to be identified and targeted for a different kind of review. This could be called an “operations review.” These facilities and activities have undergone considerable review and received recommendation from the Council in the past and it is likely funding for this work would continue. The nature of the review for these activities will be to find consistency and efficiencies in their operation and funding. Reducing cost differentials between similar types of o&m will be a major focus of the effort.

For habitat work in the provinces, we are considering a kind of model watershed approach, or what could also be thought of as a way to take the water brokerage concept to a broader level. We envision a flexible process that would conform to the processes already established in each state. Key elements include:

- Ensure that we have a functioning group in the subbasin (functioning and able to receive and disperse funds), made up of relevant agency and tribal personnel and others.
- Determine an appropriate multi-year budget for each subbasin
- Ask the subbasin group to develop and recommend a package, consistent with the subbasin plan, of objectives they plan to try to accomplish over a defined time period with a defined budget, a statement of the kinds of activities that will be considered for funding to meet those objectives, a prioritization process for matching work to objectives and funding over that period, and a clear procedure for reporting on what work is funded and the results from that work. This is how, for example, the Grande Ronde Model Watershed work takes place every year.
- This package of performance objectives and possible work would be what the ISRP and then the Council reviews and recommends.
- Bonneville funding then would be funneled through the group, operating to match work to the implementation work plan and objectives approved. Bonneville would continue to be responsible for contract administration and accomplishment reporting.
- This approach obviously works only in those subbasins where we have a group that has the capacity and trust to make it happen. That may be more places than we think, but clearly not all. If the Council decides pursue this model, part of our work in the next year will be to determine what subbasins have an appropriate group. The Council may need to identify a qualification process to determine confirm that a subbasin group can perform this work consistent with the Councils needs. There will be many challenges in this work but the potential benefits are large, so we believe it is worth trying.
- For those subbasins that do not have such a group, the solicitation, review and recommendation process will likely be more like the last model, that is, a package of actual projects, linked in the subbasin context but distinct, shaped and recommended by the province review group. But even there, it is our hope to have the Council review and recommendation emphasize objectives and expected performance more than the projects themselves.

- This model for review and implementation is supported by Bonneville's ongoing Process Improvement initiative, which has developed tools such as Pisces that will improve contracting, project tracking and accomplishment reporting.
- This model watershed approach lends itself well to leveraging or making available other funding opportunities with the Bonneville mitigation funding (not the other way around -- that is, not on conditioning Bonneville funding on the presence of other funding), and we can help facilitate that additional or incidental benefit.
- Prior to the start of the new review cycle, the Council is going to have to work with others to determine allocation of available resources to the provinces and subbasins, so that work plans are developed within an established regional budget.
- Artificial production projects have undergone considerable review already, and we propose to continue to review these projects on periodic bases. It might be possible to design a review of facility operation and maintenance work as described above for habitat o&m projects.

For other parts of the program, those associated with "systemwide" attributes, we are considering a different type of review. These can be organized into categories that include research, monitoring and evaluation, IMCA, and mainstem work.

- Much of the work in these categories is likely to continue. The review needs to identify what work is valuable to continue, what should yield to higher-value work (of similar type or on-the-ground), and what new needs exist?
- Staff believes this review would not likely include a general solicitation, but instead a process of identifying *needs* out of the key program pieces and plans (the Council's program, BiOp, research plan, developing m&e approach). The process would identify a set of targeted solicitations and work to determine whether what is now being funded continues to meet those needs, what *gaps* there are and how to solicit to fill them, and what on-going work thus does not meet needs, at least not as a priority. We anticipate establishing teams to conduct the reviews.
- A significant challenge is going to be how to contain these types of activities from consuming too much of the available funding, or possibly even in reducing amount of funding available
- Part of that challenge will likely be monitoring and evaluation. There is developing consensus in the region that too much is spent on m&e, especially project m&e, yet arguments are made to spend more on the right kind of m&e, focused more on population response and larger-scale indicators of the value of the program as a whole. This review process is an important opportunity to help make this transition from project m&e to more regionally based m&e.