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Montana

November 21, 2006

DECISION MEMORANDUM

TO: Council Members

FROM: Terry Morlan

SUBJECT: Appointments to Independent Economic Analysis Board

STAFF RECOMMENDATION

Staff recommends that the Council appoint the following persons to 4-year terms on the IEAB and approve contracts of \$22,000 per year for each member:

- Dr. Joel Hamilton - Current IEAB member, Professor Emeritus University of Idaho, and consulting economist
- Dr. Susan Hanna - Current IEAB and ISAB member and Professor of Marine Economics at Oregon State University
- Dr. Noelwah Netusil - Current IEAB member and Stanley H. Cohen Professor of Economics at Reed College
- Dr. Lon L. Peters - Current IEAB member and President of Northwest Economic Research, Inc.

SIGNIFICANCE

The Council created the Independent Economic Analysis Board in 1997 to provide the Council with advice on incorporating economic considerations into fish and wildlife program decisions. The ability to address economic issues correctly has become increasingly important in the Council's fish and wildlife decisions as market conditions have put Bonneville's electricity supply in a less competitive economic position and led to increased scrutiny of the funds available for the Fish and Wildlife program.

BUDGET/ECONOMIC IMPACTS

The appointment of IEAB has no direct incremental impact on the Council budget as long as there are 8 IEAB members. The Council renewed the IEAB charter in October 2006. Although individual IEAB members have contracts of \$22,000 per year, the overall IEAB budget is only \$100,000 per year. This would allow expenditure of only about \$12,500 per year on average for the eight members. The larger contracts allow for the fact that not all IEAB members contribute equally to the work of the board.

BACKGROUND

The IEAB charter specifies the process for appointing IEAB members:

9. *Appointment of Independent Economic Analysis Board Members: Members will be appointed through a process of nomination, screening by a peer group of economists, and Council verification of independence. Nominations will be solicited through a public announcement of intent to appoint a new member or members. Applications will be screened and ranked by a nominating committee composed of 3 regional economists chosen, if possible, from the Board of Directors of the Pacific Northwest Regional Economic Conference and assisted by the Staff Coordinator. The nominating committee will submit its recommendations to the Council who will make the final selection based on the committee's recommendations and public comment regarding qualifications and perceived independence.*

This year's screening committee included Dr. Thomas Potiowsky, until recently the state economist for Oregon and currently a Portland State University Professor; Dr. William Beyers, Professor of Geography at the University of Washington; and Mr. Scott Bailey, an economist with the Washington Employment Security Department.

ANALYSIS

The recommended appointments above are based on the findings of the screening committee. The committees report containing their recommendations is attached to this memorandum. At its November meeting, the Council approved sending the IEAB appointments out for public comment. The purpose of the public comment is to give the public a chance to raise issues relating to the independence of the proposed members. The proposed members are all current members of the IEAB whose independence was not questioned at the time of their previous appointments.

Public comment on the proposed appointments is not due until December 8, 2006. I will report at the Council meeting on any comments received.

ALTERNATIVES

The nominating committee provided a recommendation for a first alternate candidate in case issues were raised about the reappointment of any of the incumbent members. In addition, although the committee did not state this in their recommendations, I believe, based on the scoring, that the sixth applicant would be considered qualified to serve as well. As stated above, however, the four incumbents were considered the best qualified for IEAB appointment.

- 1) The Council could, based on public comment, decide to appoint one of the other two applicants.

2) The Council could decide to reduce the number of members on the IEAB. There are currently 8 members and they are spending about as much time as they are able to on IEAB tasks. In addition, they each contribute some unique skills and expertise to the group. Therefore, reducing the number of members would reduce the number and diversity of tasks the IEAB could perform.

ATTACHMENTS

Screening committee report to the Council.

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November 1, 2006

MEMORANDUM

TO: Northwest Power and Conservation Council

FROM: Pacific Northwest Regional Economic Conference Nominating Committee

SUBJECT: Nominees for Independent Economic Analysis Board

The Pacific Northwest Regional Economic Conference (PNREC) Nominating Committee for appointments to the Council's Independent Economic Analysis Board (IEAB) has evaluated 6 applicants to fill four open positions on the IEAB. In this memorandum, we provide our recommendations for the best-qualified candidates.

The committee evaluated the applicants primarily against the four criteria listed below, with assigned weights in parentheses:

1. Qualifications and experience in areas of economic analysis relating to fish and wildlife policies or the potential effects of those policies on other sectors of the economy (0.4);
2. Ability to provide credible advice and analysis that is objective and independent, and widely perceived to be so (0.3);
3. Familiarity with Pacific Northwest salmon policy issues (0.1);
4. Contribution to a diversity of relevant expertise on the IEAB (0.2).

Each nominating committee member scored each applicant on each of the criterion on a scale of 1 to 5. Individual nominating committee member's scores for a candidate were weighted by the weighting factors to get a weighted average score. The highest possible score for an applicant would be a 5. Each committee member submitted his rating to Terry Morlan of the Council staff. There was substantial agreement among the ratings of the committee members and in a conference call on October 31, 2006 we reached unanimous agreement on our recommendations.

The committee selected 4 applicants that are well qualified to fill the IEAB positions. Each of these applicants had an average score across all three nominating committee members of greater than 4.7. We understand that independence is an important issue for the IEAB and have attempted to assess that. However, it is our understanding that the Council will further test that conclusion by providing an opportunity for public comment on these proposed IEAB members.

There was agreement among the committee members that the following four persons should be appointed to the IEAB. In fact, all four of these applicants are current members of the IEAB who applied for reappointment. The committee evaluated two other applications, but they scored lower than the four incumbents.

Recommended Appointees:

- Dr. Joel Hamilton - Current IEAB member, Professor Emeritus University of Idaho, and consulting economist
- Dr. Susan Hanna - Current IEAB and ISAB member and Professor of Marine Economics at Oregon State University
- Dr. Noelwah Netusil - Current IEAB member and Stanley H. Cohen Professor of Economics at Reed College
- Dr. Lon L. Peters - Current IEAB member and President of Northwest Economic Research, Inc.

First Alternate Recommendation:

If Council finds that any of the recommended appointees could not be appointed based on public comment or concerns about independence, the nominating committee recommends that Dr. John W. Duffield be considered as the first alternate appointee.

The Board of the Pacific Northwest Regional Economic Conference is pleased to assist the Council in its selection process for this important committee.

From the Members of the PNREC Nominating Committee:

Dr. Tom Potiowsky
Department of Economics
Portland State University

Dr. William B. Beyers
Department of Geography
University of Washington

Mr. Scott Bailey
Washington ESD