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June 2, 2015

### DECISION MEMORANDUM

**TO:** Fish and Wildlife Committee

**FROM:** Tony Grover, Kerry Berg, and Lynn Palensky

**SUBJECT:** Support development of a cost savings process to fund emerging Program priorities.

**PROPOSED ACTION:** Committee recommends that: 1) Council and Bonneville work together to develop a methodology to find cost savings in the program for funding emerging priorities; 2) Bonneville make savings available for emerging priorities with a target of approximately 1% of the program planning budget and in 2016 for SOY 2017, and identify program savings to make available for FY 2016; 3) Council and Bonneville work together to develop a solicitation process for funding emerging priorities.

**SIGNIFICANCE:** The request would result in an opportunity to fund new or expanded work in the priority areas of the fish and wildlife program without increasing the annual program budget.

### BUDGETARY/ECONOMIC IMPACTS

This request would not require an increase in program funds. A request of this size represents less than one percent of the overall program budget<sup>1</sup>.

### BACKGROUND

Program language reference (from page 116 – pre-publication):

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<sup>1</sup> Annual planning budget for 2015: \$309 million (expense) – (cbfish.org).

**Bonneville funding for emerging program priorities**

*Bonneville should fund any new fish and wildlife obligations from identifying savings within the current program and as necessary, from additional expenditures. Savings from the current program should not compromise productive projects that are addressing needs identified in this program. For example, additional funding can be obtained when projects complete their goals, such as a research project, or when a project is no longer reporting useful results. Funding should also be sought in general overhead budgets including Bonneville's overhead for its Fish and Wildlife Division. To the extent that targeted savings are insufficient to meet Bonneville's financial obligations in this program, Bonneville should consider increasing expenditures. Prior to every rate case Bonneville should report to the Council how it plans to budget for implementation of the fish and wildlife program.*

**ANALYSIS**

The Council is committed to work in partnership with Bonneville to find cost savings that will "assure funding for identified program priorities to maximize the biological response resulting from ratepayer and cost-shared investments." *2014 Fish and Wildlife Program Investment Strategy at page 114.*

Principles to guide cost savings identification effort:

1. Cost savings efforts will not impact any existing settlement agreements or accords between Bonneville and their partners.
2. Cost savings efforts will not affect the legal defensibility of the FCRPS Biological Opinion or Bonneville's ESA obligations.
3. Non-Accord, Non-BiOp projects will not be unfairly burdened by any cost savings efforts.
4. Bonneville will not overspend its fiscal year budget to fund emerging program priorities.
5. Any proposal to target savings from existing projects (subject to Principles 1, 2, and 3) should be directed toward:
  - a. Projects that are closing out
  - b. Projects that receive unfavorable scientific review
  - c. Efficiencies achieved within existing projects or programs
  - d. Projects where benefits are low or FCRPS nexus is weak.
6. Cost savings efforts will have a reasonable lead time to ensure smart close out, appropriate budget planning, and allow sponsors to transition.

**NEXT STEPS**

- Cost Savings Work Group continues to work with Bonneville to develop a methodology to find potential sources of savings in 2017 and beyond.

- Staff anticipate presenting the draft methodology to committee members prior to the June meeting for discussion and potential release for public comment.
- Cost Savings Work Group to work with Bonneville to try and identify program savings in 2016 and fund expanded work based on those priorities.
- Cost Savings Work Group to work with Bonneville to develop a solicitation process for funding emerging priorities.