

**Phil Rockefeller**  
Chair  
Washington

**Tom Karier**  
Washington

**Henry Lorenzen**  
Oregon

**Bill Bradbury**  
Oregon



## Northwest Power and Conservation Council

**W. Bill Booth**  
Vice Chair  
Idaho

**James Yost**  
Idaho

**Pat Smith**  
Montana

**Jennifer Anders**  
Montana

July 7, 2015

### DECISION MEMORANDUM

**TO:** Fish and Wildlife Committee

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

**SUBJECT:** Committee recommendation on cost savings methodology and summary of comments received

**PROPOSED ACTION:** Committee recommends that: 1) Council support the attached 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 for SOY 2017, and identify program savings to make available for FY 2016; 3) Work with Bonneville 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.

### BACKGROUND

Program language reference, page 116. Also see:

[http://www.nwcouncil.org/fw/program/2014-12/program/partsix\\_implementation/ii\\_investment\\_strategy/](http://www.nwcouncil.org/fw/program/2014-12/program/partsix_implementation/ii_investment_strategy/)

**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.*

The Council released the draft methodology for public comment after the June Council meeting. We received seven sets of comments from fish and wildlife managers, tribal representatives and customers groups. A summary of the comments is attached (Attachment 1). See full comments at <http://www.nwcouncil.org/fw/cost-savings-group/>.

Based on the comments received, staff made some minor changes in the cost savings methodology (Attachment 2). Staff recommends the Committee and the Council support the use of the attached ‘Methodology to Identify and Review Projects for Cost Savings’ and the request to Bonneville to create a placeholder for funding to implement projects in the emerging priorities areas. The placeholder would not increase the currently-approved program budget.

**NEXT STEPS**

- Cost Savings Work Group to work with Bonneville to identify program savings in 2016 and fund expanded work based on those priorities, but focus effort on identifying savings for FY 2017
- Cost Savings Work Group to work with Bonneville to develop a solicitation process for funding emerging priorities. (See attached list of emerging priorities and potential use of cost savings – Attachment 3.)

## **Summary of Comments on Cost Savings Methodology July 7, 2015**

We received seven sets of comments related to the Cost Savings Methodology discussed at the June Fish & Wildlife Committee meeting and released for public comment. Comments on the Methodology ranged from full support and use, to support without confidence that it would achieve goals, to full abandonment of the methodologies. All commenters generally agree, however, on creating a non-specific placeholder for funding emerging priorities in the currently available program planning budget. Most of the commenters had more to say on the subject (for full comments go to <http://www.nwcouncil.org/fw/cost-savings-group/>), which include but are not limited to the following:

### **1. WDFW**

WDFW supports the emerging priorities listed in the 2014 Program and is eager to work with the Council and BPA to find funding to advance implementation of these underfunded needs. The methodology provides sound principles for guiding this effort but believes it will “create a large administrative burden with a low probability of achieving the goal. Other WDFW comments:

- Concerned about the process creating undue burden on non- BiOp and Accord projects
- One percent of the program for new priorities is a good starting place and could be ramped up over the coming years
- Target 2017 for savings since project most sponsors just had their budgets approved for 2016
- The Working Group is too narrow given the breadth of the projects and outcomes they will be asked to review
- Projects already undergo a great deal of scrutiny through the project review process.

### **2. USRT**

Asserts that the process may be highly contentious, time intensive, and somewhat arbitrary.” USRT suggests simply making a request to Bonneville that a non-specific placeholder be designated for new priorities in the currently available fish and wildlife budget. Consider sticking with the \$3 million or 1 % of the program as a starting point and plan to ramp up to that amount over the next 2-3 years.

### **3. ODFW**

Largely consistent with WDFW comments with the following additions:

- Project close-outs are not common, thus quarterly review period is too frequent, and 14 days is inadequate for project sponsors to respond after receiving notification of review.

- Bonneville uses this end of year savings to fund approved and ready property purchases, as well as appropriate commitments in MOA's and settlement agreements. This enables Bonneville to fully spend, but not exceed, the fiscal year's budget. ODFW suggests adding appropriate items from the program's emerging priorities to Bonneville's 'approved and ready' list of acquisitions.

#### **4. CRITFC**

Commented that the principle of looking at projects that have “unfavorable scientific review” is inappropriate as they already go through extensive review. Very strong opposition to the arbitrary and undefined nature of achieving cost savings from “projects where benefits are low or FCRPS nexus is weak.” CRITFC also noted that tribal involvement is not included in the draft methodology and that tribal representation be identified in the review process. Also recommended that overhead/administrative costs and streamlining ISRP review be looked at as part of a broader cost savings effort.

#### **5. Northwest River Partners**

Fully supports this “clear and systematic approach to identifying opportunities to find cost savings within the Fish and Wildlife Program”. They reiterate their comments made on the Draft Fish and Wildlife Program, that “a collaborative effort between the Council and Bonneville can result in substantial savings that can be redirected to higher priority objectives in the Program to better benefit of fish and wildlife BPA’s customer investments”.

They support deferring on how best to spend any savings until actual savings have been secured. This bifurcated process will facilitate an objective review of potential cost reductions without creating unnecessary controversy over how best to expend any savings.

#### **6. PNGC Power**

Supportive of the Council’s proposed methodology to identify cost savings within the Fish and Wildlife Program. This makes it more likely that the Council, working with the BPA, will be able to recommend higher priority objectives in the Program to better benefit fish and wildlife and BPA’s customers’ investments.

#### **7. Public Power Council**

Supports the methodology and hopes it is an effort that will be long-lived in better managing the program. PPC feels it would be useful for the Council to bolster the authority that the workgroup has on implementing cost savings. In the past, there have been extensive efforts to create supportable recommendations regarding programs that could be reduced, but the follow-through on these efforts were sometimes limited. They are hopeful that this methodology creates a mechanism to induce action after the review is completed.

## METHODOLOGY TO IDENTIFY AND REVIEW PROJECTS FOR COST SAVINGS

### *(Cost Savings Methodology)*

This methodology sets forth the process whereby the Northwest Power and Conservation Council (Council), in coordination with Bonneville and with input from project sponsors, will identify and review on a regular basis projects for potential close-out or significant cost reduction, in order to redirect funding for new or other projects.

- I. **PROGRAM NEXUS:** This cost savings methodology supports the 2014 Fish and Wildlife Program, *Bonneville Funding for Emerging Program Priorities*, p. 116.
- II. **COST SAVINGS WORK GROUP:** The work contemplated under this methodology will be performed by a Cost Savings Work Group (workgroup), consisting of the Chair of the workgroup, the Council's Fish and Wildlife Director, and identified representative from Bonneville. Other state and central Council staff may provide input and support as needed.
- III. **PURPOSE OF THE WORKGROUP:** The purpose of the workgroup is to
  - receive the quarterly reports identifying potential projects for cost savings as set forth in paragraph IVA;
  - solicit comments from sponsors as set forth in paragraph IVB;
  - consider the comments received and other factors as described in paragraph IVC, and make findings in accordance with paragraph IVC;
  - present those findings to the Council for final recommendation to Bonneville as set forth in paragraph V.
- IV. **PROJECT IDENTIFICATION AND REVIEW:** Projects will be identified for potential cost savings on a quarterly basis as described in paragraph IVA. Sponsors of listed projects will be notified quarterly as described in IVB. The workgroup will review projects for potential cost savings on an annual basis as described in paragraph IVC. Those sponsors whose projects are subject to workgroup review will have the opportunity to submit comments as described in paragraph IVB.
  - A. **PROJECT IDENTIFICATION:** On a quarterly basis, Bonneville will prepare for submission to the workgroup a report containing the following information:
    1. A list of all projects scheduled to be closed out in the upcoming quarter
    2. A list of all projects that may have a significant reduction in spending in the upcoming quarter or for the fiscal year (\$50,000 or more)

3. The amount of potential savings associated with each close-out or reduction in spending
4. A list of projects that might be considered for close-out consistent with the cost savings principles set forth in paragraph VIII of this methodology.

B. **SPONSOR NOTIFICATION AND COMMENT:** The workgroup will notify sponsors of listed projects that the project has been identified for potential cost savings. After receiving the final quarterly report from Bonneville, and prior to its annual review, the workgroup will notify sponsors of listed projects that the project will be reviewed by the workgroup as a source of cost savings for new solicitations resulting from close-out or budget reduction. Project sponsors may submit written comments within 14 days of receiving notification of review. Comments should be submitted to the Council's Fish and Wildlife Division Director and Bonneville's Fish and Wildlife Director.

C. **WORKGROUP REVIEW:** The workgroup will annually compile and analyze the quarterly reports and the comments received to inform the Council in its consideration of project close-outs and cost reductions. The process should be done in a way that works within Bonneville's budget and contracting constraints, and should commence in March of each year. The process will consider the completeness of the project list, consistency with the cost savings principles below, the risks and benefits associated with project close-out or reduction in funding, and any other concerns. The workgroup will present a final list with its complete analysis to the Fish and Wildlife Committee for consideration.

V. **CONSIDERATION BY THE FISH AND WILDLIFE COMMITTEE AND THE COUNCIL:** The Fish and Wildlife Committee will hear the presentation and recommendation of the workgroup at the April meeting of the Council to receive any additional public comment. The Council will make a recommendation to Bonneville based on the analysis performed by the workgroup. The Council decision should occur in May for consideration in Bonneville's next fiscal year start-of-year (SOY) budget.

VI. **IMPLEMENTATION OF CLOSE OUT OR COST REDUCTION:** Bonneville will work with project sponsors to implement the close out or cost reduction in a fair and deliberate manner (smart closeout).

VII. **NEW PROJECT FUNDS:** Bonneville will set aside any funds identified as a result of this process for new projects consistent with the Council's Fish and Wildlife Program.

- VIII. COST SAVINGS PRINCIPLES: The following principles will guide cost savings efforts pursued under this methodology:
- A. Cost savings efforts will not impact any existing settlement agreements or accords between Bonneville and their partners.
  - B. Cost savings efforts will not affect the legal defensibility of the FCRPS Biological Opinion or Bonneville's ESA obligations.
  - C. Non-Accord, Non-BiOp projects will not be unfairly burdened by any cost savings efforts.
  - D. Bonneville will not overspend its fiscal year budget to fund emerging program priorities.
  - E. Any proposal to target savings from existing projects (subject to Principles A, B, and C) should be directed toward:
    - 1. Projects that are closing out
    - 2. Projects that receive unfavorable scientific or Council review
    - 3. Efficiencies achieved within existing projects or programs
  - F. Cost Savings efforts will have a reasonable lead time to ensure smart closeout, appropriate budget planning, and allow sponsors to transition.

## EMERGING PRIORITIES AND POTENTIAL USE OF COST SAVINGS in FY 2016 and 2017

The priorities listed below (numbered 1-7) are taken from page 116 of the 2014 Fish and Wildlife Program. The particular items listed under each of the priorities are taken from the program's various strategies and general measures. Each of these items could be a potential use of cost savings in FY 2016, FY 2017, or both. Some have cost estimates associated with them (where information is available) but these estimates are preliminary and require further refinement. The specific bullets below are examples of program-consistent potential expenditures, and will be refined as savings are identified, and the project solicitation process is developed for each year of identified savings.

1. Provide funding for long-term maintenance of assets (MAINTENANCE OF FISH AND WILDLIFE PROGRAM INVESTMENTS, p. 199)
  - Fish screens (short term can go through BOG process; long term will need an inventory and priority list) (HABITAT substrategy, p. 42) (O/M workgroup)
  - Hatcheries (will require a needs assessment – could be low cost, i.e., through questionnaire, or more formal means, i.e., hire a consultant (estimated cost is \$10k to \$15k per hatchery for 15 hatcheries) (O/M Workgroup)
2. Implement adaptive management (PART IV, ADAPTIVE MANAGEMENT, p. 101)
  - Update research plan (ADAPTIVE MANAGEMENT sub-strategy, p. 104) (for present time, this is done in house)
  - Develop program objectives where appropriate (PART III, GOALS AND OBJECTIVES, pp. 29-36) (in house for early phases; later phases may require contracted help for synthesis, analysis and mapping) (\$25,000 per year for 3 years - funding from within Council's Fish and Wildlife Division budget)
  - Understand how climate change affects program goals and individual projects (CLIMATE CHANGE Sub-strategy p. 57)
3. Preserve program effectiveness relating to predation, toxics, non-native invasives (ECOSYSTEM FUNCTION strategy, p. 38)
  - Expand pikeminnow reward program (1990-077-00 at \$800k/yr or something less) (PREDATOR MANAGEMENT sub-strategy, pp. 49-50)
  - Expand support of other predator suppression efforts, i.e. northern pike in Lake Roosevelt (PREDATOR MANAGEMENT sub-strategy, pp. 49-50)
  - Map strongholds (STRONGHOLDS sub-strategy p. 44 (“work with fish and wildlife managers to keep up to date maps available for strongholds and other areas managed for wild fish stocks”) (in-house or contracted out)
  - Map non-native and invasive species (NON-NATIVE and INVASIVE SPECIES sub-strategy, p. 47-48) (in house or contracted out)



4. Investigate blocked area mitigation (ANADROMOUS FISH MITIGATION IN BLOCKED AREAS sub-strategy, p. 83-86)
  - Support development of a detailed workplan that outlines how to implement Council's Phase 1 activities for reintroduction above Grand Coulee/Chief Joseph (habitat assessment, evaluate passage from other facilities) (\$50k-\$100k)
5. Implement additional sturgeon and lamprey measures (STURGEON sub-strategy, p. 90) (LAMPREY sub-strategy, p. 94)
  - Identify and map sturgeon migration patterns and spawning/rearing areas (\$250k per year for 5 years) (p. 92) (STURGEON General Measures, p. 92: "Develop a sturgeon spawning and rearing habitat model in the basin to quantify habitat throughout the year in conjunction with FCRPS operations") *this could be done in house or on contract*; see also ECOSYSTEM FUNCTION sub-strategy p. 39 ("Identify and protect mainstem habitat areas and ecological functions that are relatively productive for spawning, rearing and migrating native anadromous and resident focal fish species")
  - Identify and map lamprey migration, timing, spawning and habitat use (\$100k per year for 5 years) (p. 95) (LAMPREY General Measures, p. 95 – mainly directed at the action agencies but the Council might do this in house or on contract)
6. Update sub-basin plans most in need of updating (PART V, SUBBASIN PLANS, p. 108)
  - Big White Salmon Sub-Basin (\$50k-100k for one year)
7. Continue efforts to improve floodplain habitat (ECOSYSTEM FUNCTION strategy, p. 38-39)
  - Inventory and map areas of greatest potential for improving floodplain habitat; understand connectivity (\$250k for two years) (ECOSYSTEM FUNCTION sub-strategy, p. 39 General Measures "Understand the status of the Columbia River ecosystem in terms of habitat and other ecosystem features to better inform council decisions"; HABITAT sub-strategy p. 42)