

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

November 10, 2015

MEMORANDUM

TO: Fish and Wildlife Committee members

FROM: Fish and Wildlife Division Staff

SUBJECT: Implementing the recommendations in the IEAB report: Long-Term Cost Planning for the Fish and Wildlife Program.

BACKGROUND:

Presenters: Staff

Summary: Staff will discuss opportunities to implement the Independent Economic Analysis Board (IEAB) recommendations made to the Council and the Region in September, 2015. Staff believe implementation of the first three IEAB recommendations can begin immediately with the hatchery asset assessment process approved by the Council in September of 2015 and will be further implemented in the upcoming wildlife project review scheduled to commence in early 2016. Further opportunities to use the first three IEAB recommendations will come later in 2016 during an evaluation of how Bonneville funded fish screens can best be maintained over time. The IEAB's recommendation number 4 is premature until the size of a possible endowment fund can be estimated with accuracy. There is also some uncertainty concerning Bonneville's legal authority to establish endowment funds, and uncertainty about the policy implications of doing so. These questions and uncertainties can be worked out while the hatchery, fish screens and wildlife work proceeds over the next year or eighteen months. The result of that work should produce an estimate of the future costs of maintaining the long term investments Bonneville has made under the Council's fish and wildlife program. IEAB recommendation 5 will be

implemented by Bonneville as the work identified above clarifies what needed skills are required.

The IEAB recommendations are intended to put the Fish and Wildlife Program on an appropriate long-term planning basis beginning with, but not ending with, long term maintenance of infrastructure investments. Below are the five key recommendations of the report.

1. **Implement an asset management process for the major physical assets of the Fish and Wildlife Program.**
2. **Develop an information system to encompass the life-cycle activities, costs, and benefits of all Fish and Wildlife Program projects.**
3. **Utilize the life-cycle project information to improve the management of the long-term costs of the Fish and Wildlife Program, to improve the cost effectiveness of the Fish and Wildlife Program, and to supplement the information available for project reviews.**
4. **Consider establishing a dedicated endowment fund for unanticipated program costs, including but not limited to natural disaster costs.**
5. **Create one or more staff positions at Bonneville with responsibilities in fixed asset accounting, operations and maintenance monitoring and budgeting, and endowment fund management for the Program.**

Relevance: Supports implementation of the Council's emerging priorities identified in the 2014 Program. The IEAB examined ways to help implement the Program emerging priority number one: "Provide for funding [long-term maintenance](#) (Appendix P) of the assets that have been created by prior program investments."

Workplan: Council workplan 2.B. Prioritize and implement new Program actions. Long-term O&M inventory priorities. IEAB report on costs.

Background: The IEAB has reviewed the process for proposing, approving, funding, and reviewing projects in the program. The general finding is that although many projects are ongoing long-term efforts, projects are approved with limited information about the expected length of the projects and/or their long-term costs. As a result, there is limited understanding of likely future costs beyond the few years needed for budgeting and rate setting. Major funding needs for operations, maintenance, repairs, and equipment replacement have not been adequately anticipated or planned for. The

need for repairing and replacing past physical investments has created unanticipated funding needs now required to prevent loss of Fish and Wildlife Program benefits.

The IEAB recommendations are:

1. **Implement an asset management process for the major physical assets of the Fish and Wildlife Program.**

Asset management is a well-developed process that is used by many agencies and businesses, including Bonneville for its power related investments. While the general concept is well-understood, specific implementation details will need to consider the unique assets owned and maintained by the Fish and Wildlife Program.

2. **Develop an information system to encompass the life-cycle activities, costs, and benefits of all Fish and Wildlife Program projects.**

The 2014 Fish and Wildlife Program recommends that the federal action agencies provide 20-year cost estimates to the Council annually. The existing systems for collecting cost information need to be expanded. The new system should provide information on the following questions: How long is the expected life of the project? How will benefits of the project be maintained after the project ends? What is the temporal profile of the work activities and costs of the project?

3. **Utilize the life-cycle project information to improve the management of the long-term costs of the Fish and Wildlife Program, to improve the cost effectiveness of the Fish and Wildlife Program, and to supplement the information available for project reviews.**

The IEAB recommends that, in addition to the 20-year cost forecasts, additional new information should be collected and used to increase the benefits and enhance the cost-effectiveness of the Fish and Wildlife Program. New information would be valuable to answer questions such as: When will there be important opportunities to change the project? Are there alternative approaches to achieving the goals of the project that might be considered in the future? What are the major uncertainties that affect the long-term costs or the benefits of the project? How vulnerable is the project to uncertainties that might affect the effectiveness of the project or require changes to the project approach?

4. **Consider establishing a dedicated endowment fund for unanticipated program costs, including but not limited to natural disaster costs.**

An endowment fund could be designed to respond quickly and

efficiently to provide emergency funding, reducing damages to fish, wildlife and important Program assets following unforeseen events. Such a fund, or funds, would provide the Budget Oversight Group with a flexible source of funding for unanticipated needs. The additional information on project uncertainties and vulnerabilities collected under recommendation 3 would help determine the size of such a fund, or funds.

5. Create one or more staff positions at Bonneville with responsibilities in fixed asset accounting, operations and maintenance monitoring and budgeting, and endowment fund management for the Program.

Near term implementation of IEAB recommendations:

- A. Hatchery and Fish Screens - Since the adoption of the 2014 F&W Program in October 2014, the Council staff (State and Central) and Bonneville have been working with the O&M Sub-Committee and the IEAB to develop a long-term O&M strategic plan to ensure the longevity and integrity of the Programs past investments. The collaboration with the IEAB has been productive as the O&M Sub-Committee develops the O&M Strategic Plan. The strategic plan for hatchery and screens is utilizing IEAB recommendation 1 - 4. As referenced in the IEAB report (recommendation #1), the O&M strategic Plan is utilizing an asset management plan framework. This framework is intended to provide a mechanism to achieve a long-term maintenance, rehabilitation, and replacement plan for Program investments. The framework has four phases: Phase 1 is the asset inventory; Phase 2 is the condition assessment; Phase 3 addresses prioritization, and Phase 4 is the strategic plan for implementing priorities over time. Currently, Council and Bonneville staffs have completed the direct Program inventory for hatcheries and screens and are now transitioning to implementation of the condition/asset assessment. This effort and the anticipated implementation of the O&M Strategic Plan is based and has touched on the life cycle models and dedicated funds as discussed in the IEABs Recommendations 2,3 and 4.
- B. Wildlife Project Review – Wildlife land is the other category that is being addressed by the O&M Strategic Plan. Though life cycle cost are not as prominent from a mechanical aspect, long term maintenance costs associated with infrastructure (e.g., fences and roads) are critical to maintain the investment in these lands that have been secured through the Program. Currently, Council and Bonneville staff are preparing to initiate a review of the wildlife projects in the Program In planning for this review, staff will factor in recommendations 1 – 4 of the IEAB report to address long-term O&M needs on wildlife lands. The establishment of a dedicated

fund (Recommendation #4) could be a key component to ensure that the lands can be maintained and the land managers can plan to meet the anticipated needs.

Longer term implementation of the IEAB recommendations will come from future categorical reviews of projects funded by Bonneville's fish and wildlife program. Sponsors of new projects will be asked to provide the long term cost information recommended by the IEAB and requested by the Council and Bonneville prior to project initiation.

More Info: The IEAB report: <http://www.nwcouncil.org/fw/ieab/ieab2015-1/>
The O&M Subcommittee: <http://www.nwcouncil.org/fw/om-subcommittee/>