

**Henry Lorenzen**  
Chair  
Oregon

**Bill Bradbury**  
Oregon

**Guy Norman**  
Washington

**Tom Karier**  
Washington



## Northwest Power and Conservation Council

**W. Bill Booth**  
Vice Chair  
Idaho

**James Yost**  
Idaho

**Pat Smith**  
Montana

**Jennifer Anders**  
Montana

October 4, 2016

### MEMORANDUM

**TO:** Fish and Wildlife Committee members

**FROM:** Tony Grover

**SUBJECT:** Decision between alternative processes for the use of funds identified by the Cost Savings Workgroup

#### BACKGROUND:

**Presenter:** Tony Grover

**Summary:** The Cost Savings Workgroup (CSW) seeks to identify the Committee's preference among two alternative processes to allocate funds to emerging priorities or other Program priorities:

- A. Develop a process to seek committee and Council support to redirect identified cost savings funds to emerging priorities or other program measures.
- B. Develop an open process to select emerging priorities or other program priorities to which identified cost savings and as yet unidentified additional funding could be applied.

**Relevance:** The cost savings workgroup implements the language on page 116 of the 2014 fish and wildlife program: *'Bonneville should fund any new fish and wildlife obligations from identifying savings within the current program...'*

**Background:** Council member Anders chairs the cost savings workgroup, which is composed of Bryan Mercier, Peter Cogswell and Scott Donahue of BPA

and Kerry Berg, Lynn Palensky, Laura Robinson and Tony Grover, all Council staff. The cost savings workgroup initially developed a cost savings methodology, which was approved by the Council at the regular July 2015 meeting in Spokane, (<http://www.nwcouncil.org/media/7149359/1.pdf>). Additional information about the cost savings workgroup and the methodology can be found on the Council's website at <http://www.nwcouncil.org/fw/cost-savings-group/>, including a 'frequently asked questions' document that explains what the cost savings workgroup does and how it goes about identifying and vetting potential cost savings.

### **Identified Cost Savings:**

At the March and May 2016 Fish and Wildlife Committee meetings, 5 projects were identified by the CSW as sources for a total of \$651,915 in cost savings that would be available in FY 2017.

To date the Council has recommended to BPA the use of \$140,000 of the identified cost savings for a habitat assessment above Chief Joseph dam and for Lake Roosevelt northern pike suppression efforts. Somewhat more than \$510,000 of cost savings remains to be allocated.

### **Considerations for the use of cost savings**

As previously described, BPA has created a reserve fund for cost savings in FY 2017. The availability of funds is dependent on: (1) the spending trajectory within the FY16/FY17 rate period, and (2) developing a process to reallocate funds to other priorities.

At the May 2016 Fish and Wildlife Committee meeting the CSW requested and received committee support to explore effective and efficient approaches to identifying potential projects or program functions to apply identified cost savings. Approaches that have been explored include:

1. Allocating funds directly to projects to implement elements of the 2014 program's emerging priorities as identified on page 116 of the program and
2. Soliciting proposals to implement emerging priorities and other measures in the 2014 program. Alternatives are discussed below.

As needs and opportunities arise, the first approach can, and should, continue to be used. The purpose of this memorandum is to seek committee guidance to further develop the second approach and to provide the Committee an opportunity to reflect on the CSW efforts.

### **Allocation of cost savings:**

Two alternatives for approach 2 that the Committee could choose from are:

- A. Develop a targeted process to seek committee and Council support to redirect identified cost savings funds to emerging priorities or other program measures.

- B. Develop an open process to select emerging priorities or other program priorities to which identified cost savings and as yet unidentified additional funding could be applied.

**Alternative A: targeted**

Between now and the November 2016 Council meeting the CSW would develop a very limited list of topics, perhaps only one topic, that would be proposed for developing requests for proposals (RFPs) that would be announced to the region, following Committee and Council approval. Potential project sponsors would be advised that funds available are only those identified through the efforts of the CSW. The primary source for the CSW's topics would be the list of seven emerging priorities identified on page 116 of the 2014 program. The Council and BPA have recent experience with the successful completion of just this kind of targeted RFP process.

After the CSW obtains the committee's preference for RFP solicitation topics, the CSW will bring all successful proposals, following ISRP review, to the committee for a decision. The proposed project(s) will then be brought to the Council for a decision whether or not to make an implementation recommendation to BPA. Using alternative A, it is likely that cost savings funds could be put to use in late FY 2017.

**Alternative B: open**

Announce an open solicitation for project proposals that are consistent with the measures in the 2014 program. The committee would oversee staff's implementation of a science review of all responses and development of a possible prioritization methodology. Cost savings funds could be applied to the highest priority proposals. It is uncertain when funds beyond identified cost savings would become available. The Council and BPA have not attempted this kind of RFP process since 2007, using a budget of ~\$2.5 million. A program-wide solicitation for proposals has not occurred since 2005.

It is not likely funding recommendation decisions could be reached sooner than one year from now, perhaps longer.

**Additional information:**

The Council and BPA have experimented with many project solicitation methodologies, which can be found under 'Older Reviews' here: <http://www.nwcouncil.org/fw/reviews/>

Project solicitation alternatives were discussed at the August 2015 Committee meeting: <http://www.nwcouncil.org/media/7149431/f4b.pdf>

Staff can discuss the pros, cons and outcomes of the past project solicitation initiatives.