

James Yost
Chair
Idaho

W. Bill Booth
Idaho

Guy Norman
Washington

Tom Karier
Washington



Northwest Power and Conservation Council

Jennifer Anders
Vice Chair
Montana

Tim Baker
Montana

Ted Ferrioli
Oregon

Richard Devlin
Oregon

April 3, 2018

MEMORANDUM

TO: Fish and Wildlife Committee Members

FROM: Tony Grover

SUBJECT: Discussion of alternatives for Economic Review of the Council's Long Term O&M Asset Management Strategic Plan

BACKGROUND:

Presenter: Tony Grover and Terry Morlan, IEAB Chair

Summary: Member Booth is seeking an economic review of the Council's Long Term O&M Asset Management Strategic Plan. In addition, Terry Morlan will discuss an additional potential task for the IEAB, which is to contract with the federal action agencies to review certain aspects of the Columbia River Systems Operations Environmental Impact Statement, which is under development now. The IEAB completed a similar review on June 21, 2000, [Review of Economic Appendix I of the Corp's Lower Snake Feasibility Study](#).

Relevance: In developing the fish and wildlife program, the Act requires (among other things) that the Council "...utilize, where equally effective alternative means of achieving the same sound biological objective exist, the alternative with the minimum economic cost." (Section 4(h)(6)(C)). The Council also oversees a project review process as part of the implementation of the Fish and Wildlife Program, and as part of that review process the Act directs the Council to "determine whether the projects employ cost-effective measures to achieve program objectives." (Section 4(h)(10)(D)(vi)).

In addition, the Council identified seven emerging priority areas in the 2014 Fish and Wildlife Program. The first emerging priority is to “Provide for funding [long-term maintenance](#) (Appendix P) of the assets that have been created by prior program investments “.

Background:

Between 1996 and September of 2015 the Council utilized the services of an Independent Economic Advisory Board (IEAB) to assist with difficult economic issues associated with the Council’s Fish and Wildlife Program. The IEAB also provided economic advice on analysis of other fish, wildlife and energy issues at the Council’s request. During that 19 year span, the IEAB produced 36 [reports](#) for the Council.

The [last report](#) produced by the IEAB helped the Council and BPA understand how to implement the first emerging priority in the 2014 Fish and Wildlife Program, and was titled: *Long-term Cost Planning for the Fish and Wildlife Program, September 12, 2015*.

That report described the IEAB’s review of 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 made five recommendations intended to put the Fish and Wildlife Program on an appropriate long term planning basis.

- 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.

The five IEAB members that produced the 2015 report remain interested in serving on the IEAB, if the charter is renewed. Additionally, if the charter is renewed, then the Council and region could make use of the IEAB for additional review tasks.

If the Council decides to request an additional economic review associated with the Council's Long Term O&M Asset management Strategic Plan. Two alternatives for that economic review are:

1) Renewal of the charter for the Independent Economic Advisory Board (IEAB), renewed contracts and conflict of interest declarations for the five IEAB members, development of a task order to conduct the review and production of a report by the IEAB; or,

2) Develop a scope of work for the review task, contract with a qualified independent economist who will conduct the review and produce the report.

If either alternative 1 or 2 is ultimately selected by the Committee and Council, a task order or scope of work will need to be developed to ensure the report produced is responsive to the Council's needs. Nearly all FY2018 contract funds for the Fish and Wildlife Division are already encumbered, therefore staff recommends, should the Committee and Council decide to proceed with this review, that the contracts and activities under either alternative commence on October 1, 2018.