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May 3, 2016

### MEMORANDUM

**TO: Fish and Wildlife Committee members**

**FROM: Tony Grover**

**SUBJECT: Update and possible next steps for the Cost Savings Workgroup**

### BACKGROUND:

**Presenters:** Committee Chair Anders, Bryan Mercier, Bonneville Power Administration (BPA), Kerry Berg, Lynn Palensky, Laura Robinson and Tony Grover, all Council staff.

**Summary:** The Workgroup seeks Committee support to explore several topics:

- Develop a process to allocate funds to emerging priorities or other Program priorities.
- Develop a process to explore additional cost savings within the programmatic (small groups of similar projects) category.

**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, Bill Maslen and Peter Cogswell 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 2016 Fish and Wildlife Committee meeting 4 projects were identified as sources for cost savings in this first set of recommendations from the cost savings workgroup:

- 2007-404-00, Spring Chinook Captive Propagation, Oregon, \$355,007
- 1982-013-03, Coded Wire Tag, USFWS, \$29,162
- 2006-006-00, Habitat Evaluation Program, \$90,502
- 2010-076-00, Characterizing migration and survival for juvenile Snake River sockeye salmon between upper Salmon River basin and Lower Granite Dam, \$92,244

Since then, an additional project has validated a reduction of approximately \$85,000: 2010-033-00, Study Reproductive Success of Hatchery and Natural Origin Steelhead in the Methow, WDFW.

These five projects **total \$651,915** in cost savings, most of which may be available in FY 2017. Unless something significantly changes in the next few months, BPA intends to create a reserve fund for these cost savings in the FY 2017 Start of Year fish and wildlife budget to allow for further discussion regarding their allocation

**Additional cost savings:**

The Cost Savings Workgroup (CSW) is willing, if the Committee agrees, to explore additional cost savings within a small, discrete group of similar projects (Programmatic Category). The CSW would like to explore how to examine a programmatic group of projects in an open, fair and unbiased manner.

The CSW has been discussing potential programmatic areas to review as part of the discretionary review of projects for efficiencies as discussed at last month's Council meeting in Missoula, MT. The purpose would be to conduct targeted reviews to help inform the Fish and Wildlife Committee of strategic opportunities to improve project or Program efficiency and effectiveness. The CSW identified the following attributes of program areas to consider for the initial topic area review:

- a. Program area with a narrow focus and a limited number of projects,
- b. Program area with projects that have (or had) discrete timelines and scope,
- c. Program area consistent with the principles of the Cost Savings Methodology

Based on these considerations, the CSW suggest to the Committee that Relative Reproductive Success studies would be a potential candidate for a programmatic review. These research projects seem ready for review because of timelines of expected deliverables and/or questions of feasibility or usefulness.

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

As previously described, BPA will create a reserve fund for cost savings in FY17. The availability of funds is dependent on: (1) the spending trajectory of the FY16/FY17 rate period, which is extremely tight at this point in time, and (2) developing a process to reallocate funds to other priorities (see below).

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

The CSW is willing, if the Committee agrees, to explore effective and efficient approaches to identifying potential projects or program functions to apply identified cost savings. Concepts that may be explored include:

- Allocating funds to implement elements of the 2014 program's emerging priorities
- Soliciting project proposals to implement other measures in the 2014 program
- Program wide adjustments (Cost of Living Adjustment)

The CSW is willing to further develop these concepts and possibly others to return to the Committee for further discussion.