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January 9, 2007

DECISION MEMORANDUM

TO: Council Members

FROM: Patty O'Toole, Program Implementation Manager

SUBJECT: Council decision to solicit innovative proposals

STAFF RECOMMENDATION

The staff recommends that the Council launch an innovative projects solicitation, with up to \$3 million available for projects, as described in the analysis section below. The Fish and Wildlife Committee concurred with this recommendation.

SIGNIFICANCE

The investment in a competitive solicitation for innovative projects could provide substantial improvement in the quality of research and recovery actions in the Columbia River Basin. The innovative solicitation is intended to improve knowledge, encourage creative thinking, and directly benefit fish and wildlife. The Council's Fish and Wildlife Funding Recommendations for Fiscal Years 2007 through 2009 include a \$3 million budget placeholder for innovative projects, as part of the Basinwide project recommendations.

BUDGETARY/ECONOMIC IMPACTS

The Council's Fish and Wildlife Program FY 2007-2009 recommendation for an Innovative Projects solicitation included a annual budget placeholder of \$1 million per year for FY 2007, 2008 and 2009, for a total of three million dollars. The Fish and Wildlife Committee recommends making all \$3 million available for one solicitation.

BACKGROUND

The Innovative Project funding category, which was suggested by the Independent Scientific Review Panel (ISRP) in past annual program reviews, was designed to improve knowledge, encourage creative thinking, and provide an opportunity for sponsors to submit

proposals that focus on testing new methods and technologies designed to directly benefit fish and wildlife in the Columbia River Basins. The Council specifically solicited and funded innovative projects in FY 2001 and 2002. Innovative projects were also identified by the ISRP and funded by the Council in the FY 2000 annual project selection process.

The Council adjusted the selection process for innovative proposals each year the process was used. The FY 2001 solicitation capped individual proposal budget requests to \$400,000 which the ISRP found inadvertently encouraged the submission of larger-scale proposals with pilot and implementation phases. The ISRP suggested that the Fish and Wildlife Program would be better served by funding a larger number of pilot-scale projects of moderate budget with 12-18 month testing periods than by supporting fewer large budget, long-term projects. The ISRP, believed that a major purpose of the innovative funding category is the “proof of concept”, and innovative projects should be pilot-scale, operate on modest to moderate budgets, and be of relatively short duration. The ISRP suggested that future solicitations cap budgets of innovative projects at \$250,000 and recommended a range of \$50,000 - \$150,000. In the most recent innovative solicitation in 2002, the Council sought to solicit for “pilot projects” rather than full-scale projects and limited their duration to a maximum of 18 months. The purpose was to implement shorter-term demonstration projects so that their results could be evaluated sooner. The solicitation called for projects that would be a one-time only contract for the complete scope of work and projects were not to exceed \$200,000.

In 2002 the Council made available \$2 million for innovative projects, and recommended eight projects under the Innovative category to Bonneville for funding. After the selection process was completed, Bonneville funded only two of the recommended proposals, citing the Bonneville fiscal crisis as the reason. Bonneville’s choice of those two projects was based on funding only those projects that Bonneville believed met both the needs of the Fish and Wildlife Program and the Biological Opinion. The process included a review of proposals by the ISRP and the Columbia Basin Fish and Wildlife Authority (CBFWA). The project selection process, from proposal solicitation to final project approval by Bonneville required approximately seven months to complete.

The ISRP recommended that the Council continue to have a specific innovative projects solicitation in their Retrospective Report (ISRP2005-14) and in their programmatic comments as part of their preliminary review of proposals for the FY 2007-09-project solicitation (June 1, 2006). They suggested that innovative projects can address unexplored research uncertainties or unknown new technologies, and that projects implemented through the innovative solicitations in the past (such as the ocean tracking project [POST], nutrient supplementation) have benefited the Fish and Wildlife Program. They suggest that special topic solicitations such as nutrient supplementation should be developed as targeted requests for proposals (RFP).

The Council, in its FY 2007-2009 project recommendations recommended a budget placeholder of \$1,000,000 per year for an innovative project solicitation. The Council members indicated during discussions of the placeholder, that this particular solicitation should focus on on-the-ground “demonstration” projects. These proposals should result in immediate benefits to productivity or survival to fish and wildlife.

ANALYSIS

Over the last two months, the staff and the fish and wildlife committee discussed concepts for an innovative proposal solicitation. The Committee recommends the following process for an innovative project solicitation process to the Council for consideration.

The following definition and criteria are provided to clearly differentiate between work conducted under the prior program for innovative projects and the new innovative project proposal solicitation process by Council.

Defining Innovation

For the purpose of the proposed solicitation, innovation is generally defined as a method or technology that is new, or an existing method or technology that has not previously been applied in the Pacific Northwest.

Scope of Proposals - Proposals should address: key regional management questions; limiting factors identified in subbasin plans; or, questions identified in the mainstem amendments. The solicitation should be clear that proposals could be applicable to resident fish, wildlife, or anadromous fish.

Duration of Projects - The work should be “pilot” in nature, therefore it should be feasible to complete work within 18 months, including one year to implement the work and six months to complete reports and other deliverables as appropriate. Project sponsors should communicate their state of readiness to begin work (for example, are necessary permits in place?) as well as their capacity to complete work on schedule.

Specific Review Criteria - Review of innovative proposals will consider whether:

- The project will demonstrate how to increase biological benefits
- The new or improved management actions have a potential for widespread application
- The project meets existing criteria for ISRP review (scientifically sound, etc)

Elements of the Solicitation

Solicitation Schedule - The Council recommended an innovative placeholder of \$1 million per year for three years in the basinwide project recommendations for FY 2007-2009. Having three separate solicitations, corresponding to each \$1million annual recommendation is not possible at this point, given we need 6-8 months for the solicitation process and that we are already well into fiscal year 2007. We recommend that projects will have 18 months to complete their work including 12 months for project implementation and 6 months to complete deliverables. After looking at several implementation alternatives, the Fish and Wildlife Committee recommends holding one proposal solicitation with \$3 million available for implementation (\$1million/each fiscal year).

Completion of Projects - No innovative project will be considered complete until a final formal report that includes results, findings, and conclusions is submitted to Bonneville. Bonneville will withhold final payment until these product commitments are satisfied.

Future Eligibility - Innovative proposals selected for funding in the first solicitation will be ineligible for funding in the subsequent innovative solicitations. Proposals for follow up work will need to compete for funding through the normal Fish and Wildlife Program project selection process.

Other Considerations

Bonneville and ISRP suggestions - Following the November Fish and Wildlife Committee meeting, Bonneville sent a letter to the Council (attached) that supports working together to design a focused, and carefully crafted, request for proposals (RFP) for *innovative* projects. The letter asks the Council to review limiting factors from the subbasin plans and recovery plans and recommend the innovative RFP address a couple of these limiting factors. This approach suggested by Bonneville is in contrast to the approach suggested by the ISRP. The ISRP's Retrospective Report (ISRP2005-14) recommended budgeting for an annual innovative proposal solicitation and recommended regular and open solicitation. The ISRP also recommended that special topic solicitations, such as nutrient supplementation, should be developed as targeted requests for proposals, but that these would not be necessarily considered innovative.

Recent conversations with Bonneville staff indicate there is still some uncertainty as to how much funding Bonneville is willing to commit to an innovative solicitation, and what conditions they may place on such a solicitation. Prior to initiating a solicitation for innovative projects, staff strongly believes that the Council needs to receive commitment from Bonneville that proposals will be funded if they meet the solicitation criteria, are favorably reviewed by the ISRP, and are recommended by the Council.

Technical work - A few technical improvements could be made to the proposal form used in the FY 2007-2009 solicitation and these would need to occur, along with some work with CBFWA and Bonneville to activate a web-based solicitation process.

Draft schedule - (Single Solicitation)

January 17-18 Council decision on solicitation

February 16 – solicitation for innovative project proposals

March 30 – Project proposals due

April 2 - May 11 - Concurrent ISRP and Fish and Wildlife manager review

May 11 – ISRP and Fish and Wildlife manager review complete

May 11 - June 11 – public comment period

July 11-12 - Committee recommendation

August 14-15 – Council decision

October 1 – Bonneville contracting begins

ALTERNATIVES

The staff and Fish and Wildlife committee considered several implementation alternatives. One was to conduct two solicitations (each with \$1.5 million available), one targeting implementation in FY 2008 and one targeting implementation in FY 2009. The disadvantage of this option is that for the second solicitation in FY 2009, the reporting period would cross into FY 2010, which is in the next rate case. We discussed working with Bonneville to understand and monitor the implications of spending into the future rate case. Overlapping and staggering the solicitation could eliminate the crossover of spending into FY 2010 and would allow sponsors to align field seasons to their work needs, but could result in confusion with overlapping processes, resulting in additional work for Council, staff and others involved in reviewing proposals. Another option discussed was to conduct one solicitation with \$3 million available and have implementation and deliverables complete by the end of FY 2009. The Fish and Wildlife committee recommends this alternative to the Council.

Past innovative solicitation processes have included a budget cap of around \$200,000 per project proposal to ensure that proposals are of an appropriate scale and are of a “pilot” nature in scope. The staff and Fish and Wildlife Committee discussed this option, but the Committee recommends **not** have any formal budget cap, but instead to write the solicitation document to clearly indicate that the Council is looking for “pilot” scale proposals, that have well developed concepts that need field testing for one year.