

February XX, 2008

Mr. Bill Booth, Chairman  
Northwest Power and Conservation Council  
1677 East Miles Ave, Suite 103  
Hayden Lake, ID 83835

Dear Mr. Booth:

The Columbia Basin Fish and Wildlife Authority (CBFWA) reviewed the Independent Economic Analysis Board's (IEAB) reports to the Northwest Power and Conservation Council (NPCC) on Task Number 116 and 117. We are providing comments on these Task Reports to you because of the direct relationship of their findings to the identification, funding, and management of wildlife mitigation projects. We provide more detail in the attached reports, but to briefly summarize our comments:

Task Number 116: *Investigation of Wildlife O&M Costs*

- We appreciated the IEAB working with CBFWA Members to provide information and background for this task order.
- We agreed with the conclusion that PISCES currently does not provide adequate information for cost benchmarking for operations and maintenance (O&M) and should not be used for these comparisons.
- We appreciated that the IEAB found comparable costs between the NPCC F&W Program mitigation projects and other (non-related) habitat projects across the region.
- We are concerned about implementing some of the compensation-based and competition-based incentives identified by the IEAB.
- We agreed with the IEAB's recommendation to consider pathways for more flexible funding and long-term contracts as a relatively easy approach to achieve significant cost-savings. We also encourage the NPCC and the IEAB to consider long-term settlement agreements to improve cost efficiencies.

Task Number 117: *Continuing Investigation of Alternative Strategies for Habitat Acquisition*

- CBFWA was not provided an opportunity for involvement in the development of Task Number 117 despite our history and experience with habitat acquisitions.
- We support the need for the Region to clarify the issues and complexities associated with habitat unit (HU) accounting.
- There are numerous challenges in developing partnerships with other entities to complete wildlife mitigation, particularly if the objectives of other potential partners are not consistent with the Fish and Wildlife Program.
- Participation in emerging markets for environmental attributes should not be in lieu of the defined mitigation obligations of Bonneville Power Administration (BPA).

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In conclusion, the IEAB reports outlined the complexities involved in managing habitats and largely supported a number of the recommendations that the wildlife managers proposed including long-term contracts and funding flexibility. We thank you for your attention to these comments. We also appreciate the NPCC's decision to postpone implementation action pursuant to the IEAB recommendation pending coordination with the fish and wildlife managers. We look forward to continuing discussions with the NPCC to develop recommendations for improved program efficiency.

If you have any questions, please contact Ken MacDonald, CBFWA Wildlife and M&E Coordinator, at 503/229-1091.

Sincerely,

Larry Peterman, Chair  
Columbia Basin Fish & Wildlife Authority

Attachments:

I: CBFWA Comments on IEAB Task Number 116: Investigation of Wildlife O&M Costs  
II: CBFWA Comments on IEAB Task Number 117: Continuing Investigation of  
Alternative Strategies for Habitat Acquisition

cc:

NPCC Members  
NPCC Staff  
CBFWA Members

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**Attachment I:  
Columbia Basin Fish and Wildlife Authority (CBFWA) Comments on  
IEAB Task Number 116: Investigation of Wildlife O&M Costs  
February XX, 2008**

Introduction

Dr. Roger Mann and the IEAB worked closely with the Wildlife Advisory Committee (WAC) during the development of Task Number 116: *Investigation of Wildlife O&M Costs*. The WAC appreciated the opportunity to provide information and background to the IEAB on this Task Number. We ask that the fish and wildlife managers be consulted for future IEAB analyses of fish and wildlife project costs to allow for input at the earliest possible stage.

Cost Benchmarking with PISCES

We agree with a number of the conclusions from this report including the problems and potential bias associated with using PISCES for cost benchmarking for operations and maintenance (O&M). We also agree with the IEAB's conclusion that "there is no simple set of numbers or an equation that can be used for cost benchmarking without substantial potential for error" (p 7 Task Order 116). There is considerable variation in O&M costs and this variation is not due to a simple set of factors. Management costs are derived from the array of different management objectives, habitat types, size and context considerations, and histories associated with wildlife projects across the basin.

The IEAB accurately described the problems associated with using PISCES as a cost accounting tool. The structure and reporting requirements of PISCES do not allow for an accurate accounting of the costs related to specific management actions. PISCES was developed as a contracting and reporting tool. It was not designed to track cost comparisons, and many of the problems described above are inherent to the information in PISCES.

Use of Wildlife Project Cost Data From Other Sources

The data provided to IEAB on O&M cost comparisons with projects outside of the NPCC's Fish and Wildlife Program confirmed that the costs associated with BPA wildlife projects are "comparable to other projects in the region" (p 17 Task Number 116). These findings are consistent with many of the discussion points about project cost efficiencies that the WAC raised with BPA and the NPCC over the past decade. The costs and efficiency of our projects are comparable with most other projects in the region. The IEAB suggested that projects that share objectives, functions, and comparable physical characteristics could be used for cost comparisons. We are not opposed to making those comparisons, but caution that there are many other factors (e.g., implementing agency, age of the project, project histories, risk factors, cost/share, etc.) aside from those mentioned by the IEAB that also should be considered.

The IEAB proposed that “future cost-effectiveness comparisons should be based on habitat units (HUs) and not acreage” (p 19 Task Number 116). The WAC is concerned that using

HUs in lieu of acreage will be equally problematic. For example, HUs are derived from Habitat Evaluation Procedures (HEP) that have many inherent problems including a high degree of subjectivity. The HEP method is antiquated and the models that form the basis for the process are overly simplistic and were developed in regions outside of the Columbia Basin. Project sponsors manage complex ecosystems composed of an extremely diverse and interrelated set of ecological functions unique to every project. HUs are species specific and do not reflect the diversity of many of the ecological functions and conditions associated with wildlife projects. HUs do not adequately account for the costs or cost efficiencies related to managing for these functions or conditions.

#### Cost Management and Incentives

We are concerned about the reality of implementing many of the compensation-based and competition-based incentives identified by the IEAB. We appreciate the IEAB’s cautionary note about implementing these suggestions.

Project sponsors are generally required to follow state or Federal accounting procedures. The lowest bids may not provide the best outcomes, and the staff time, and labor required to seek and review competitive bids may negate any cost benefits.

The IEAB’s suggestion that “for eligible lands, invite proposals for O&M...based on dollars/tasks or dollar/acre with performance standards based on past or planned habitat values” is not a clear solution to improve cost efficiencies. O&M is not easily divided into cost/acre, and there is no standard methodology that measures performance based on habitat values. Project managers are supportive of adequate reporting requirements. However, at some point the request for further reporting may constrain management effectiveness and incur more costs than benefits. Equipment sharing between projects is already being done, but generally only if the projects are managed by a single entity. Equipment sharing across agencies and Tribes would pose an enormous logistical and administrative challenge and likely also incur more costs than benefits.

The IEAB recommended more flexible funding for BPA wildlife projects including long-term contracts, flexibility in moving funding across line items in contracts, and the ability to carry over unspent funds to the next fiscal year. We believe these recommendations will provide substantial cost efficiencies and allow managers more discretion in how best to use and apply funding to improve the effectiveness of many management actions. At an earlier meeting, the WAC suggested to the IEAB that they investigate the utility of settlements such as the Dworshak and State of Montana agreements. These agreements have demonstrated that settlements may substantially improve cost efficiencies and effectiveness for wildlife protection. We encourage the NPCC to consider this tool as it evaluates long-term improvements to the Fish and Wildlife Program.

**Attachment II:  
Columbia Basin Fish and Wildlife Authority (CBFWA)  
Comments on IEAB Task Number 117:  
Continuing Investigation of Alternative Strategies for Habitat Acquisition  
February XX, 2008**

Introduction

CBFWA was not provided the opportunity for input and involvement in Task Number 117: *Continuing Investigation of Alternative Strategies for Habitat Acquisition*. Aside from some brief conversations with the IEAB and several WAC members on Task Number 117, there was no solicitation for information from the managers for this report. We thought this was unusual given the considerable history and experience that the wildlife managers have with wildlife acquisitions and the investigations of alternatives to fee simple acquisitions and conservation easements.

Most of the report for Task Number 117 described alternatives to fee simple acquisitions. These alternatives were promoted as less costly to the Fish and Wildlife Program. However, as mentioned in the introduction to Task Number 117, there has been substantial progress in completing wildlife mitigation mostly through the states and tribes. The primary impediments to completing additional transactions are not the lack of will on the part of the states or tribes, but are related to a variety of cumbersome policies that prevent completing mitigation in a timely, efficient, and opportunistic manner. Many of the alternatives that the IEAB proposed do not provide long-term surety that the property will be maintained to benefit wildlife. It is unclear how some of the recommendations address BPA's mitigation responsibilities and may create potential in lieu conflicts with the mitigation responsibilities specifically described in the wildlife loss assessments and the Northwest Power Act.

Habitat Units and Accounting

CBFWA supports the need for the Fish and Wildlife Program to clarify the issues and complexities with habitat unit accounting. An impartial, standardized, and transparent accounting system for allocation of HUs would help resolve many of the disputes that have arisen around this issue. CBFWA is providing recommendations to address this problem as part of the Fish and Wildlife Program Amendment process.

Partnership Opportunities

The IEAB concluded that the Fish and Wildlife Program has successfully worked with tribes, states, and federal agencies to acquire and improve wildlife habitats. In other words, the partnership with these entities has been successful and should be expanded.

Another recommendation in this report was the need to develop partnerships to spread the costs of real estate transactions in areas (e.g. Willamette Subbasin, Methow Valley, etc)

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with high land values. The IEAB was correct in describing the challenges to developing these partnerships particularly when objectives from the other partners may be inconsistent with the Fish and Wildlife Program. Additionally, the considerable effort and time that is needed to form partnerships may interfere with the timely completion of real estate transactions.

The IEAB did not address the problems associated with BPA's policy that to access capital fund, an acquisition must exceed \$1,000,000. There are many opportunities to acquire properties that are valued less than \$1,000,000, but the policy prevents consideration of these opportunities.

#### Emerging Markets: Credits and Banking

The IEAB also recommended that the Fish and Wildlife Program participate in emerging markets for environmental attributes such as carbon sequestration. If access to these markets increases funding opportunities for wildlife projects, then participation in these environmental services may benefit projects and outcomes. However, participation in these markets should not be in lieu of the defined obligations that BPA has to address the loss of habitat from the construction and inundation impacts of the hydro-facilities for the life of the project.