

METHODOLOGY TO IDENTIFY AND REVIEW PROJECTS FOR COST SAVINGS

(COST SAVINGS METHODOLOGY)

This methodology sets forth the process whereby the Northwest Power and Conservation Council (Council), in coordination with Bonneville and with input from project sponsors, will identify and review on a regular basis projects for potential close-out or significant cost reduction, in order to redirect funding for new or other projects.

- I. **PROGRAM NEXUS:** This cost savings methodology supports the 2014 Fish and Wildlife Program, *Bonneville Funding for Emerging Program Priorities*, p. 116.
- II. **COST SAVINGS WORK GROUP:** The work contemplated under this methodology will be performed by a Cost Savings Work Group (workgroup), consisting of the Chair of the workgroup, the Council's Fish and Wildlife Director, and identified representative from Bonneville. Other state and central Council staff may provide input and support as needed.
- III. **PURPOSE OF THE WORKGROUP:** The purpose of the workgroup is to
 - receive the quarterly reports identifying potential projects for cost savings as set forth in paragraph IVA;
 - solicit comments from sponsors as set forth in paragraph IVB;
 - consider the comments received and other factors as described in paragraph IVC, and make findings in accordance with paragraph IVC;
 - present those findings to the Council for final recommendation to Bonneville as set forth in paragraph V.
- IV. **PROJECT IDENTIFICATION AND REVIEW:** Projects will be identified for potential cost savings on a quarterly basis as described in paragraph IVA. Sponsors of listed projects will be notified quarterly as described in IVB. The workgroup will review projects for potential cost savings on an annual basis as described in paragraph IVC. Those sponsors whose projects are subject to workgroup review will have the opportunity to submit comments as described in paragraph IVB.

- A. **PROJECT IDENTIFICATION:** On a quarterly basis, Bonneville will prepare for submission to the workgroup a report containing the following information:
1. A list of all projects scheduled to be closed out in the upcoming quarter
 2. A list of all projects that may have a significant reduction in spending in the upcoming quarter or for the fiscal year (\$50,000 or more)
 3. The amount of potential savings associated with each close-out or reduction in spending
 4. A list of projects that might be considered for close-out consistent with the cost savings principles set forth in paragraph VIII of this methodology.
- B. **SPONSOR NOTIFICATION AND COMMENT:** The workgroup will notify sponsors of listed projects that the project has been identified for potential cost savings. After receiving the final quarterly report from Bonneville, and prior to its annual review, the workgroup will notify sponsors of listed projects that the project will be reviewed by the workgroup as a source of cost savings for new solicitations resulting from close-out or budget reduction. Project sponsors may submit written comments within 14 days of receiving notification of review. Comments should be submitted to the Council's Fish and Wildlife Division Director and Bonneville's Fish and Wildlife Director.
- C. **WORKGROUP REVIEW:** The workgroup will annually compile and analyze the quarterly reports and the comments received to inform the Council in its consideration of project close-outs and cost reductions. The process should be done in a way that works within Bonneville's budget and contracting constraints, and should commence in March of each year. The process will consider the completeness of the project list, consistency with the cost savings principles below, the risks and benefits associated with project close-out or reduction in funding, and any other concerns. The workgroup will present a final list with its complete analysis to the Fish and Wildlife Committee for consideration.
- V. **CONSIDERATION BY THE FISH AND WILDLIFE COMMITTEE AND THE COUNCIL:** The Fish and Wildlife Committee will hear the presentation and recommendation of the workgroup at the April meeting of the Council to receive any additional public comment. The Council will make a recommendation to Bonneville based on the analysis performed by the workgroup. The Council decision should occur in May for consideration in Bonneville's next fiscal year start-of-year (SOY) budget.

- VI. IMPLEMENTATION OF CLOSE OUT OR COST REDUCTION: Bonneville will work with project sponsors to implement the close out or cost reduction in a fair and deliberate manner (smart closeout).
- VII. NEW PROJECT FUNDS: Bonneville will set aside any funds identified as a result of this process for new projects consistent with the Council's Fish and Wildlife Program.
- VIII. COST SAVINGS PRINCIPLES: The following principles will guide cost savings efforts pursued under this methodology:
- A. Cost savings efforts will not impact any existing settlement agreements or accords between Bonneville and their partners.
 - B. Cost savings efforts will not affect the legal defensibility of the FCRPS Biological Opinion or Bonneville's ESA obligations.
 - C. Non-Accord, Non-BiOp projects will not be unfairly burdened by any cost savings efforts.
 - D. Bonneville will not overspend its fiscal year budget to fund emerging program priorities.
 - E. Any proposal to target savings from existing projects (subject to Principles A, B, and C) should be directed toward:
 - 1. Projects that are closing out
 - 2. Projects that receive unfavorable scientific review
 - 3. Efficiencies achieved within existing projects or programs
 - 4. Projects where benefits are low or FCRPS nexus is lacking.
 - F. Cost Savings efforts will have a reasonable lead time to ensure smart closeout, appropriate budget planning, and allow sponsors to transition.