

White Paper on Water O&M Benchmarking (6/13/06)

Subject: Proposed Scope of Effort - Water O&M Benchmarking - Managing for Excellence (M4E) Team No. 31

Purpose: To propose the scope of the Water O&M Benchmarking M4E Team No. 31 such that stakeholders can be informed and provide feedback as necessary to ensure that their expectations will be met.

Background: Within the National Research Council (NRC) study report entitled, “Managing Construction and Infrastructure in the 21st Century, Bureau of Reclamation” (Finding 5c) described the need to benchmark the O&M costs associated with water distribution systems and that it “can help improve the efficiency of Reclamation’s water management and distribution activities as well as those of the water contractors responsible for transferred works.” The report recommended (Recommendation 5c) that the “Benchmarking of water distribution and irrigation activities by Reclamation and its contractors should be a regular part of their ongoing activities.”

In response to Recommendation 5c, Reclamation included the following action item in its M4E Action Plan: “Benchmark O&M of water storage and distribution facilities in a manner modeled after current practices with power facilities, starting with pilot program.”

Discussion: Given the statements outlined in the NRC and M4E reports, the team responsible for this action item (Team) proposes the following scope for the Water O&M Benchmarking effort:

Scoping Issue No. 1 – Limit benchmarking efforts to reserved works’ storage dams

The Team assumed that the primary driving issue for this activity is the excessive/increasing costs (real or perceived) associated with the O&M of reserved works’ multi-purpose project dams (reserved works - O&M typically performed and partially funded by Reclamation), a portion of which irrigation and municipal and industrial (M&I) beneficiaries are required to reimburse. Therefore, based on this assumption, the basis of comparison for the Water O&M Benchmarking effort will be limited to only those reserved works’ storage dams authorized to provide irrigation and/or M&I benefit(s).

Scoping Issue No. 2 - Non-inclusion of carriage and conveyance features

The Team assumed that the term “distribution” used in the reports refers to the delivery features of storage dams and not the carriage or conveyance features related to downstream canal and lateral distribution systems. Essentially all carriage and conveyance features are transferred works [O&M performed and paid for by a water user entity(ies.)] As a result, and since distribution systems do not appear to support the driving issue stated above, the Team determined that such systems will not be included in the Water O&M Benchmarking effort.

Scoping Issue No. 3 - Internal benchmarking

The Team recognizes the potential benefit of benchmarking O&M costs amongst Reclamation's reserved works' dams as a means of identifying cost saving procedures that can be applied elsewhere. Therefore, the Team determined that internal benchmarking of reserved works' storage dams will be included as one of the focus areas of the Water O&M Benchmarking effort.

Scoping Issue No. 4 - Partnering with transferred works' operating entities

In addition to seeking benchmarking partners, external to Reclamation, the Team recognizes the potential benefits of benchmarking Reclamation reserved works' storage dams to transferred works' storage dams. Doing so may provide information/data for use in evaluating potential O&M transfers or outsourcing. Therefore, the Team determined that the Water O&M Benchmarking effort will include inviting the participation of operating entities of transferred works' storage dams.

Scoping Issue No. 5 - Proposed performance metrics

Given the above-described assumptions, the Team proposes the following list of performance metrics (all "costs" to be considered on an annual basis):

- Total costs to O&M storage dams (indirect and direct)
- Direct costs to O&M storage dams
- Indirect costs as a percentage of total costs to O&M storage dams (i.e., overhead rate)
- Number of FTEs to O&M storage dams
- FRR scores (or portions thereof) for storage dams, or some other reliability/quality measure of O&M effectiveness.
- Quality/level of dam operator training
- Contract costs as a percentage of total costs to O&M storage dams

Recommendation: The Team proposes that the scope of the Water O&M Benchmarking effort is as outlined in this white paper. Comments that may necessitate changes to the scope of this effort should be provided to the Team no later than July 21, 2006 (approximately one week following the scheduled stakeholder meeting, to be held July 10-11, 2006.).

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