

## PREAMBLE

This report is intended to help Fish and Wildlife Service (FWS) staff become more effective participants in the hydropower relicensing process through a better understanding of the economic analysis used to evaluate hydropower projects. Specifically, the report seeks to accomplish the following goals:

- Explain the Federal Energy Regulatory Commission's (FERC's) current approach to the economic analysis of relicensing alternatives;
- Review potential methodological refinements and why they are important; and
- Introduce a variety of approaches for assessing non-power values, helping FWS staff recognize when more advanced analyses are applicable.

The purpose of this document is not to provide a step-by-step guide for the conduct of primary economic analysis, i.e., the reader is not expected to become an expert in the implementation of the analyses described here. Rather, the document seeks to attune non-experts to the role of economics in relicensing and the diversity of techniques available. If FWS staff have questions about the economic analysis associated with a particular relicensing, they can call the Division of Economics (703-358-2082) to discuss possible analytic support.

It is also important to note that this document provides technical guidance and is not intended as a statement of FWS or Department of the Interior (DOI) policy on hydropower relicensing. Where differences in policy between FERC and other agencies exist, we have attempted to present a balanced discussion of the issues.

Finally, it is noteworthy that this document is the first step in the process of examining FWS's perspective on relicensing economics. Many of the analytic and policy questions discussed here are evolving and updates to this document will likely be necessary.

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