

**Bruce A. Measure**  
Chair  
Montana

**Rhonda Whiting**  
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**W. Bill Booth**  
Idaho

**James A. Yost**  
Idaho



**Dick Wallace**  
Vice-Chair  
Washington

**Tom Karier**  
Washington

**Melinda S. Eden**  
Oregon

**Joan M. Dukes**  
Oregon

Thursday, August 19, 2010

## **DECISION MEMORANDUM**

**TO:** Council members

**FROM:** Michael Schilmoeller  
Senior System Planning Analyst, Power Division

**SUBJECT:** Approval of System Analysis Advisory Committee Charter

**PROPOSED ACTION:** Authorize the creation of, and approve a charter for, a System Analysis Advisory Committee. Appoint the Council's Senior System Planning Analyst as chairperson for the System Analysis Advisory Committee.

**SIGNIFICANCE:** Council energy efficiency and generation resource decisions rely to an extent on the credibility and acceptance of the Council's computer models. The credibility of the Council's planning would therefore benefit from updated peer review of the Regional Portfolio Model. This advisory committee of technical experts and policy leaders can provide such a review.

## **BUDGETARY/ECONOMIC IMPACTS**

Support for the System Analysis Advisory Committee will cost approximately \$15,000 per year in travel support for the public committee members and for administrative needs, such as note taking. In addition, about four months of staff time will be required to coordinate meetings, develop agendas, prepare presentations, and attend meetings. It is the staff's intention to maximize the use of electronic correspondence to keep the cost and time commitment of System Analysis Advisory Committee members to a minimum.

## **BACKGROUND**

In the past, the Council has activated a Systems Analysis Advisory Committee to review and guide computer model development. The deeper understanding and sense of ownership such an advisory committee affords participants, who are usually experts within their respective organizations, facilitate communication and acceptance of the power plan's recommendations.

Six years have passed since a Council advisory committee examined the Regional Portfolio Model (RPM). In the meantime, the model has grown and matured significantly.

The unique nature of the RPM makes it challenging to keep opinion leaders abreast of these developments. There is no commercially available model that performs the RPM's kind of risk analysis. The Council has provided the computational engine, an Excel workbook, and instructions for its use through the Council website for five years. Detailed explanation of the model's algorithms appears in the Fifth Power Plan's Appendices L and P. However, the Crystal Ball<sup>®</sup> software version that the Council uses is no longer available for sale. In particular, vendors of such risk software appear to have withdrawn distributed computation capability from their products. Parallel processing is critical to reasonable performance from the RPM. Consequently, others who may have wanted to run the model have not been able to do so.

Meanwhile, the model has become more conspicuous as its results have become of greater consequence to regional utilities, to their commissions, and to their boards. For example, Washington State's I-937 legislation now requires qualifying utilities to demonstrate that their planning for acquisition of energy efficiency is consistent with Council methodology. There are stiff penalties for non-conformance. The market price adder for energy efficiency that the RPM has shown to reduce cost and risk has therefore become of greater interest to more utilities.

Council members are concerned that some in the industry have raised questions about how the model works, how the results from the model are being interpreted, and whether in fact the RPM is the right tool for addressing Council policy questions. The inability to share the model has begun to interfere with its credibility. Understanding of and confidence in the RPM model has not progressed, in part because the model is unavailable outside the Council. The System Analysis Advisory Committee would provide a forum for airing concerns and developing a deeper understanding of the model.

At the same time, Council staff is taking steps to make the full model and its associated technology available to others. Cloud computing and Microsoft's high-performance computing (HPC) initiatives are possible alternatives to the distributed computing capability in third-party applications like Crystal Ball. Such change, however, means restructuring the RPM. The perspective of those who might adopt the transformed model would be useful and timely.

## **ANALYSIS**

Attached is a copy of the proposed charter for the System Analysis Advisory Committee (SAAC). The charter was prepared in accordance with the Federal Advisory Committee Act. It is proposed that SAAC members be nominated by staff with the objective of obtaining a high level of technical expertise or industry leadership. Another goal is membership from diverse constituencies, including public boards and private utilities, state utility commissions, energy

consultants, and consumer agencies. Participation by each of the four states represented on the Council is another objective.

## **ALTERNATIVES**

1. We could accomplish similar results without actually creating an advisory committee. That would require meetings and consultations with many different groups. However, the formal recognition that an advisory committee confers on participants is often a significant motivation for participation.
2. The Council Chair may wish to appoint a different staff member as chairperson of the committee. While a staff member other than the Senior System Planning Analyst might bring a different perspective to the work of the committee, the issues involved in developing and explaining the Council's models are highly complex. The Council's Senior System Planning Analyst has the greatest familiarity with the models, their inputs, and work products. For this reason, it is recommended that this position be named chairperson.
3. The manner of member selection is an issue to consider. Sometimes in the past the Council has solicited nominations for advisory committees from various interest groups. This is more time consuming than nomination by staff, although it lends the appearance of greater objectivity. When outside nominations are solicited, the committees tend to be larger, the expertise less even, and the focus of committee discussions less technical and more political. As is always the practice, however, while formal votes are reserved to committee members, meetings are open to all interested parties. Staff believes this openness adequately ensures accountability and objectivity in committee proceedings.

## **ATTACHMENT**

SAAC Charter 2010-Aug-17.doc

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## **PACIFIC NORTHWEST ELECTRIC POWER AND CONSERVATION PLANNING COUNCIL:**

### **CHARTER OF THE SYSTEM ANALYSIS ADVISORY COMMITTEE**

1. **Official Designation:** This advisory committee will be known as the Pacific Northwest Electric Power and Conservation Planning Council's System Analysis Advisory Committee.
2. **Background:** The Pacific Northwest Electric Power Planning and Conservation Act, P.L. 96-501, 16 U.S.C. § 839 *et seq.* (Act), in section 4(e)(3)(D), requires the Pacific Northwest Electric Power and Conservation Planning Council (Council) to develop "a regional conservation and electric power plan." The plan is to include a twenty-year forecast of electricity demand and a resource plan for the development of conservation and generation to meet the demand at the lowest cost, consistent with adequate and reliable electricity service.

The value of elements in the electric power resource plan depends on their contribution to the reduction of risk and enhancement of reliability in the larger power supply and demand system. The System Analysis Advisory Committee is being formed to assist the Council in its development and amendment of the Pacific Northwest Conservation and Electric Power Plan. This Committee will advise the Council about the assumptions behind, analyses of, and options for managing economic and performance uncertainty and reliability in the region's power supply system. This advisory committee is established as part of a network of advisory committees satisfying the Council's obligation under the Act to establish a Scientific and Statistical Advisory Committee. 16 U.S.C. § 839b(c)(11). Under section 4(a)(4) of the Act, the terms of the Federal Advisory Committee Act, 5 § U.S.C. Appendix I, sections 1-14, apply "to the extent appropriate" to the Council's advisory committees. 16 U.S.C. § 839b(a)(4).

3. **Objectives and Scope of Activity:** The System Analysis Advisory Committee will advise the Council by evaluating the computer models and analytical techniques used to arrive at power generation resource portfolio recommendations. The Committee will also suggest enhancements to these tools and processes as well as improved approaches to the communication of results derived from their use.

In particular, the System Analysis Advisory Committee will examine the methods of the Regional Portfolio Model (RPM), a tool used to develop resource portfolios under the Fifth

and Sixth Power Plans. The Committee will review the sources and nature of the model's assumptions and data. The Committee will also evaluate the interpretation of the model's results.

4. Official to Whom the Advisory Committee Reports: The System Analysis Advisory Committee will report to the Executive Director of the Council.
5. Authority of the Advisory Committee: The System Analysis Advisory Committee will serve in an advisory capacity only. Neither the Committee nor its members are authorized to make statements or commitments on behalf of the Council. Committee members will not be considered to be members of the Council staff.
6. Estimated Annual Operating Costs in Dollars and Staff Time: Fifteen thousand dollars (\$15,000), plus four months of staff time.
7. Advisory Committee Management Officer: The Advisory Committee Management Officer (Management Officer) for the System Analysis Advisory Committee will be the Director of the Council's Division of Power Planning. The Management Officer will designate members of the Council's staff to coordinate and attend meetings of the Committee.
8. Appointment of Members: The Executive Director of the Council, after consultation with the Director of the Power Division, will appoint members to the System Analysis Advisory Committee, keeping in mind the requirement of the Federal Advisory Committee Act that membership be fair and represent a balance of views on the subjects to be addressed by the committee.
9. Chairperson:
  - (A) The Chairperson of the System Analysis Advisory Committee will be a staff member appointed by the Chairman of the Council, with the concurrence of the Council members, and will serve at the pleasure of the Council.
  - (B) The Chairperson may be called upon to report to the Executive Director of the Council on appropriate matters, including the Advisory Committee's progress on the tasks described in Part 3 of this Charter.
  - (C) The duties of the Chairperson will include presiding over System Analysis Advisory Committee and Subcommittee meetings, if any, setting agendas for such meetings, adjourning such meetings as he or she determines, ensuring that detailed minutes of such meetings are prepared and submitted to the Executive Director of the Council in a timely manner, and maintaining communication between the Committee and the Council's staff.
  - (D) The Chairperson will certify detailed minutes of meetings of the System Analysis Advisory Committee. The minutes should include a complete and accurate description of matters discussed, conclusions reached, actions taken, persons invited to meet with the Committee, and persons in attendance. The minutes also will include copies of reports received, issued or approved by the Committee. Minutes of meetings

will be prepared and released within ten days of the meeting, unless an extension is granted by the Management Officer. The Management Officer will distribute copies of the minutes to members of the Committee and the other interested persons.

- (E) Subcommittees or small work-groups of the System Analysis Advisory Committee may be established by the Chairperson of the Committee to undertake particular aspects of the Committee's work. Methods for organizing the work and procedures of the Committee must follow the scope of responsibilities assigned to the Committee by the Council. The work of the staff for the Committee will include making arrangements for Committee meetings, solving logistical problems, and providing clerical services.
10. Vice-Chairperson: A Vice-Chairperson of the System Analysis Advisory Committee may be appointed by the Chairman of the Council from the Council staff, with the concurrence of the Council members, and will serve at the pleasure of the Council. The Vice-Chairperson will perform the duties of the Chairperson of the Committee, in the absence of the Chairperson, and such other duties as the Chairperson of the Committee may assign.
  11. Rules: The advisory committee rules approved and adopted by the Council on March 17, 1982, as amended from time to time, will apply to the System Analysis Advisory Committee.
  12. Estimated Frequency of Committee Meetings: The Chairperson of the System Analysis Advisory Committee, after consultation with the Management Officer, or his designee, will call meetings as necessary. All meetings will be open to the public, unless closed pursuant to 5 U.S.C. § 552b(c). Timely notice of meetings, including agendas, will be made. Interested persons may attend Committee meetings and appear before or file statements with the Committee, subject to such reasonable rules as the Council may prescribe.
  13. Reimbursement of Expenses: The Council will reimburse public members of the System Analysis Advisory Committee for travel, including per diem in lieu of subsistence in accordance with the Council's travel regulations for contractors and advisory committee members, for the purpose of attending Committee meetings as authorized by 5 U.S.C. § 5703. The Executive Director shall determine who are public members.
  14. Duration: The System Analysis Advisory Committee will terminate two years from the date this Charter is adopted, unless renewed in accordance with the Federal Advisory Committee Act. All Members of the Committee serve at the pleasure of the Council.

This Charter for the System Analysis Advisory Committee was approved and adopted at a duly called meeting of the Pacific Northwest Power and Conservation Planning Council, September 21-22, 2010 in Bend, Oregon.

PACIFIC NORTHWEST ELECTRIC POWER  
AND CONSERVATION PLANNING COUNCIL

By:  
Chairman

Date Filed: September 22, 2010

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