

Melinda S. Eden  
Chair  
Oregon

Joan M. Dukes  
Oregon

Frank L. Cassidy Jr.  
"Larry"  
Washington

Tom Karier  
Washington



Jim Kempton  
Vice-Chair  
Idaho

Judi Danielson  
Idaho

Bruce A. Measure  
Montana

Rhonda Whiting  
Montana

Tuesday, August 30, 2005

## MEMORANDUM

**TO:** Power Committee

**FROM:** Michael Schilmoeller

**SUBJECT:** Status Of Action Plan Item ADQ-3 And The Olivia Project

**ACTION:** This is an information item. No Council action is required.

### Purpose

The purpose is to update committee members on staff efforts with regional parties to improve consideration of risk in resource planning. This is an informational briefing on one element of Power Plan implementation. There is no decision associated with this agenda item.

Action Plan item ADQ-3 calls for "improved consideration of risk in integrated resource planning." Staff has been directly involved in Oregon public utility commission proposed rulemakings for addressing risk and uncertainty in integrated resource plans. Staff is also providing guidance to utilities that are attempting to improve their risk modeling. Work on making the Olivia model more user-friendly is proceeding steadily, but slower than anticipated in the most recent Counsel implementation schedule. A contract programmer with expertise in user interface design is assisting Staff in this task. The rest of this note provides some additional details.

### Details

The Oregon Public Utility Commission (OPUC) is currently holding workshops on proposed rules for Integrated Resource Planning (IRP) Requirements (UM 1056) and Competitive Bidding (UM 1182). An important element of their deliberation is the treatment of risk and uncertainty in resource planning. At the invitation of Commissioner Savage, Staff presented the approach to measuring risk and evaluating resource plans that the Council used in the Fifth Plan. On August 24, OPUC staff issued its preliminary position on requirements for utility IRP's. Many of the ideas set forth in Chapter six and seven of the Council's Plan appear in this issue paper, such as the principles of the Council's risk metric, the sources of uncertainty, the value of capturing resource costs associated with less-than-perfect foresight, and the rationale for quantifying

optimal reserve margins and portfolio standards. On September 9, the OPUC will open a comment period on both dockets, and Council Staff intends to respond. On September 22, the OPUC will hold another workshop on the IRP Requirements docket, and on September 30 will file reply comments on both dockets.

Representatives of PacifiCorp visited the Council offices in early August to review their approach to managing reliability, adequacy, and risk, and to learn more about the Council's approach. Shortly after this meeting, Portland General Electric invited Staff to evaluate their IRP modeling challenges and recommend solutions. Staff also made a presentation similar to that given to the OPUC. We look forward to further meetings with both of these utilities and with other utilities in the region.

The Council's Olivia model is a tool that enables private and public utilities to create Excel-based computer models that permit the utility to evaluate and manage risk on their own systems. Olivia wrote the regional portfolio model that served as the basis for many of the recommendations in the Council's last Plan. However, the Olivia needs to be made more user-friendly if it is to be employed by others. In May, the Council approved a contract for outside programming assistance to enhance the user interface. This work is progressing steadily, but the model is still under development. Classes in using Olivia, originally scheduled for the third quarter of this year, are being deferred until the model is ready. Next month, the power division will present to the Council its revised implementation schedule for the action plan, and this schedule will reflect our revised expectations for introducing Olivia to the user community.