

**Minutes of the
Regular Executive Board
Lake Quinault Lodge – Quileute Ballroom
345 S. Shore Rd, Quinault, Wash.
Aug. 27 - 29, 2014 – commencing at 10:30 a.m.**

Administrative, Energy and Member Services Committee Chair Tim Sheldon called the regular meeting / workshop of the Executive Board of Energy Northwest to order at 10:36 a.m. There was a quorum present. An environmental analysis of the Aug. 27 – 29, 2014, regular Executive Board meeting agenda had been prepared which reflected that all items on the agenda were exempt from further procedural compliance with the State Environmental Policy Act.

Roll Call

Executive Board Members

Sid Morrison, Chair
Marc Daudon
Linda Gott
Jack Janda
Jim Moss
Skip Orser
Will Purser
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others Present:

All days: Energy Northwest contractor – Andy Winzelberg. **Wednesday only:** Corporate Nuclear Safety Review Board (CNSRB) – Rick Jacobs. **Thursday only:** Guest speakers – Amy Snover, W. Spencer Reeder and Dan McGarvey.

Staff Present:

All days: Mark Reddemann, Brad Sawatzke, Brent Ridge, Bob Dutton, Jim Gaston, David Briggs, Mike Paoli and Angela Smith.

Regular Executive Board Meeting

Executive Board Administrative, Energy and Member Services Committee Chair Tim Sheldon called the meeting to order and lead the group in the pledge of allegiance.

Comments from Members of the Public

Hearing no comments from members of the public, the next item on the agenda was addressed.

Other Business**Meritorious Service Awards**

Mark Reddemann, Chief Executive Officer, provided a recommended nomination for the Executive Board for the Executive Board's Meritorious Service Award. The recommendation was for the Residual Heat Removal-Pump-2B (RHR-P-2B) team. The dedicated team who worked on the RHR-P-2B displayed the Excellence Model traits of Job Planning and Preparation as they successfully planned and completed the replacement of RHR-P-2B error free.

The Executive Board agreed with the recommendation.

Mr. Reddemann committed to scheduling time on an upcoming Executive Board meeting agenda to present the award to the team.

EB Governance Housekeeping

Staff provided information on general housekeeping while staying at the Lake Quinault Lodge.

Report from the Chief Executive Officer

Mr. Reddemann discussed the following in his CEO report: Nuclear Task Force meeting in September, Member Forum in October, Seattle energy committee meeting, Tri-Cities mayor visits, latest CEO recognitions, managers/supervisors strategic plan roll-out meeting, all-employee meetings and high-level asset performance review.

CNSRB Report

Brent Ridge, Vice President of Corporate Services and Chief Financial/Risk Officer, introduced Rick Jacobs of the CNSRB.

Mr. Jacobs provided a view of Columbia's performance, noteworthy Energy Northwest accomplishments in the last year and recommendations.

The meeting recessed at 12:30 p.m. for a break; the meeting reconvened at 1:08 p.m.

Report from the Chief Nuclear Officer

Brad Sawatzke, Vice President of Nuclear Generation and Chief Nuclear Officer, presented the Chief Nuclear Officer Report.

Key points included plant status, station focuses, significant operating experience, upcoming events and Columbia performance indicators.

Hearing no additional questions or comments, the meeting recessed at 2:30 p.m. for a break; the meeting reconvened at 2:45 p.m.

Executive Session

AEM Committee Chair Sheldon called the meeting into an Executive Session at 2:46 p.m. to discuss personnel matters in accordance with RCW 42.30.110(1)(g).

The executive session ended at 4:05 p.m.

Hearing no additional questions or comments, the meeting recessed at 4:05 p.m. until dinner.

Regular Executive Board Dinner Meeting

The Executive Board meeting reconvened at 6 p.m. for a social and dinner. It adjourned at 8 p.m.

Regular Executive Board Meeting (*cont'd*)

The regular Executive Board meeting and workshop reconvened at 8:03 a.m. on Thursday, Aug. 28, 2014 by AEM Committee Chair Sheldon.

Carbon Education Workshop

Mr. Ridge opened the carbon education workshop by introducing the two workshop presenters.

Carbon Education – Policy

W. Spencer Reeder, Vulcan Philanthropy, Climate & Polar, Vulcan, Inc., presented on climate trends: global and regional context, overview of the National Climate Assessment and Intergovernmental Panel on Climate Change report.

Carbon Education - Science

Amy Snover, PhD, Assistant Dean for Applied Research, College of the Environment, University of Washington and Director of Climate Impacts Group, presented on global context, observed and projected changes in Pacific Northwest climate.

The meeting recessed at 9:26 a.m. for a break and reconvened at 9:43 a.m.

Carbon Education – Science *cont'd*

Ms. Snover continued her presentation focusing on implications for Washington state, local responses and building climate resilience.

Carbon Education – Policy *cont'd*

Mr. Reeder continued his presentation on the Climate Policy Update (international, regional and Washington state).

Executive Board Carbon Q&A / Discussion

Mr. Ridge led the Executive Board in a discussion on carbon. Energy Northwest maintains neutral on the carbon issue in the state.

Mr. Ridge said between now and November staff will provide the board with additional information surrounding the carbon issue in preparation to provide Rowland & Reese Co.

guidance on Energy Northwest's positions on relevant legislative issues for the 2015 legislative session.

Discussion ensued on the types of information the board would like during the next two Executive Board meetings. Information requested includes:

- History of Initiative 937 (consider a presentation by Gary Saleba, EES Consulting)
- Experience of Initiative 937 process (consider a presentation by Ed Brost, Franklin PUD general manager)
- Energy Northwest to pulse members for their perspective and position on the carbon issue

Additionally, the board would like to have a discussion on what it means to be a "thought leader."

The meeting recessed for lunch at 12 p.m. and reconvened at 12:43 p.m.

Strategic Planning Workshop

Mr. Ridge kicked off the fiscal year 2016 Strategic Planning process by setting the stage for the Strategic Planning Workshop in which the Executive Board will provide direction for the agency.

He gained alignment from the board that every third year the Executive Board would do a deep dive into the Strategic Planning process. Staff will schedule the board for a verification and validation of the current plan and a deep dive in August 2017 for FY18 planning.

Challenges Facing the Utility Industry

Dan McGarvey, chairman, Marsh Power and Utility Practice, presented on the state of utility risk management, utility industry challenges and U.S. nuclear industry challenges.

The meeting recessed at 2:14 p.m. for a break; the meeting reconvened at 2:37 p.m.

Future Outlook / Goals

Mr. Ridge reviewed the current five- and 10-year goals for the agency, Columbia Generating Station and Energy Services and Development set by the Executive Board during the FY15 Strategic Planning Workshop.

Discussion ensued on if the goals are still accurate. The board proposed the following FY16 goals for Energy Northwest and Columbia.

Energy Northwest

Now – 5 years

- Excellent stewardship of generating resources
- Expand Energy Northwest's role in the region

- Energy Northwest as a thought leader "at the table"

10 years

- Columbia top quartile performance
- Valued provider of energy solutions by region
- Valued thought leader on energy issues
- Small modular reactor

Columbia

Now – 5 years

- Higher performance / top quartile
- Operating safely and reliably with low operating costs
- Strong leadership / employee development
- Evaluate extended power uprate

10 years

- Columbia as a top performing plant
- Making needed capital investments
- Implement extended power uprate

Discussion ensued on the goals for Energy Services and Development. Mr. Ridge proposed that Jim Gaston, general manager, ES&D, discuss with staff and bring back recommendations at the next board meeting.

SWOT

Mr. Ridge reviewed the agency's SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis set by the Executive Board during the FY15 Strategic Planning Workshop.

Discussion ensued on the agency's SWOT analysis.

Hearing no additional questions or comments, the meeting recessed at 3:55 p.m. until dinner.

Regular Executive Board Dinner Meeting

The Executive Board meeting reconvened at 6 p.m. for a social and dinner. It adjourned at 8 p.m.

Regular Executive Board Meeting *(cont'd)*

The regular Executive Board meeting and workshop reconvened at 7:30 a.m. on Friday, Aug. 29, 2014 by AEM Committee Chair Sheldon.

Executive Session

An Executive Session was called at 7:30 a.m. per RCW 42.30.110(1)(g).

The meeting recessed at 8:45 a.m. for a break and reconvened in Executive Session per RCW 42.30.110(1)(g) at 8:58 a.m.

The meeting recessed at 9:50 a.m. for a break and reconvened in Executive Session per RCW 42.30.110(1)(g) at 10 a.m.

The Executive Session ended at 11 a.m. and recessed for a break; the meeting reconvened at 11:15 a.m.

Regular Executive Board Meeting *(cont'd)*

Committee Chair Sheldon turned the remainder of the meeting over to Executive Board Chair Sid Morrison.

Approval of Minutes

The following meeting minutes were presented for approval:

- Joint Executive Board / Board of Directors – July 23, 2014
- Regular Executive Board Meeting – July 23 - 24, 2014

Lori Sanders moved that the minutes be approved. Motion seconded by Linda Gott. MOTION CARRIED.

Repurposing the CDC Building

Audit, Legal and Finance Committee Chair Kathy Vaughn moved to approve EXECUTIVE BOARD RESOLUTION NO. 1815 – a resolution declaring the Capital Development Corporation Building no longer excess and surplus to the operations of Energy Northwest. Tim Sheldon seconded.

Jim Gaston, General Manager of Energy Services and Development, presented on the repurposing of the Capital Development Corporation Building.

Chair Morrison opened the floor up for comments. Hearing none, Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1815 UNANIMOUSLY ADOPTED.

Compensation Subcommittee Recommendations

ALF Committee Chair Kathy Vaughn moved to approve the following three motions.

Motion 2014-17

It is moved that the Executive Board approve the FY 2014 At-Risk Compensation Plan performance results for Energy Northwest executives. A true and complete copy is attached hereto.

Motion 2014-18

It is moved that the Executive Board approve the FY 2014 Long Term Incentive Plan performance results for Energy Northwest executives. A true and complete copy is attached hereto.

Motion 2014-19

It is moved that the Executive Board approve the Chief Executive Officer's compensation recommendations for the Executive Officers (excluding the CEO) as presented on August 29, 2014.

Jack Janda seconded.

Discussion ensued regarding Energy Northwest's auditing practices.

All three motions unanimously passed/MOTION CARRIED.

ALF Committee Chair Vaughn moved to approve Motion 2014-20 stating the Executive Board recognizes the importance of planning and emergency preparation. Accordingly, the Executive Board has developed an Emergency Appointment Plan for the appointment of an Acting Chief Executive Officer in the event that such action should be necessary. The Executive Board approved the Emergency Appointment Plan by Motion 2013-16 on June 26, 2013.

The Executive Board has considered the qualifications of the candidates for the Acting Chief Executive Officer as described in the Emergency Appointment Plan. It is moved that the Executive Board approve the candidates as proposed by the Chair of the Executive Board in consultation with the Chief Executive Officer.

It is further moved that the Chair of the Executive Board cause the list of qualified candidates as approved by the Executive Board to be delivered to the General Counsel in a sealed envelope for safekeeping.

Marc Daudon seconded. Motion unanimously passed/MOTION CARRIED.

Projects 1 & 3 Regional Cooperation Debt

Mr. Ridge presented on regional cooperation debt for Projects 1 & 3. Key points included: successful bond transaction in FY14; FY15 – 18 bonds and regional cooperation debt program.

ALF Committee Chair Vaughn moved to approve Motion 2014-16 stating the Energy Northwest Executive Board supports extensions of up to \$1,425 million of fiscal years 2015 - 2018 Projects 1 and 3 bonds as part of regional cooperation debt restructuring. Bond transactions will be incorporated into the budget process and will be subject to Executive Board resolutions authorizing each bond transaction. Jack Janda seconded. Motion unanimously passed/MOTION CARRIED.

Mr. Ridge presented on regional cooperation debt for Columbia Generating Station. Key points included: timeline, Columbia debt extension language and policy language change.

There was general agreement for a policy language change to option A which states: "Revenues freed up from Columbia debt extension will be used to repay within a reasonable period of time an amount of Federal debt equal to the Columbia debt extended." This will be brought to the board in September for approval.

Upcoming Meetings

Chair Morrison reminded the board that the next Regular Executive Board Meeting will be held on Sept. 24 – 25, 2014 at the Holiday Inn Express, in Pasco, Wash.

Staff Announcements

Mike Paoli, Public Affairs manager reminded board members of Energy Northwest's Safe Day event on Sept. 30. Additionally, he informed the board that we are planning a tour of Packwood in the spring and will keep board members posted. Finally, he invited board members to attend any of the upcoming member visits.

Meeting Critique

Ms. Vaughn provided the Executive Board meeting critique.

Commitment Review/Provide Majority-based Direction

- Schedule time at a future Executive Board meeting for Meritorious Service Awards presentation (when meeting is held in the Tri-Cities) – Angela Smith
- Share the new nuclear and supervisor led videos during the Report from the Chief Nuclear Officer presentation (due to time constraints, this section was not presented at the August meeting) – Brad Sawatzke – September 2014 EB meeting
- Provide carbon education presentations to Executive Board – Angela Smith – week after board workshop
- Carbon education information:
 - History of Initiative 937 (consider a presentation by Gary Saleba, EES Consulting)
 - Experience of Initiative 937 process (consider a presentation by Ed Brost, Franklin PUD general manager)
 - Energy Northwest to pulse members for their perspective and position on the carbon issue
- Provide Energy Northwest's succession planning process – Brent Ridge – future EB meeting
- Executive Board discussion on Energy Northwest as a thought leader to include what does it mean, what does it/ does not include – Brent Ridge facilitate discussion – future board meeting
- Propose revised five and 10-year Energy Services & Development goals – Jim Gaston – by September EB meeting
- Propose revised language for SWOT analysis specific to general public awareness – Public Affairs – by September EB meeting

- Provide completed list of proposed five- and 10-year goals and SWOT – Brent Ridge – September EB meeting
- Email board members regarding information on Safe Day and upcoming member visits – Angela Smith – week after board workshop

Other Business

Hearing no further discussion, Chair Morrison thanked everyone for attending and wished them a safe journey home. The regular meeting adjourned at 11:50 a.m.

Respectfully submitted by,

Angela Smith
Board Relations