

**Minutes of the
Regular Executive Board
Embassy Suites Portland Airport – Spruce Room
7900 NE 82nd Ave.
June 25 – 26, 2014 – Commencing at 1:08 p.m.**

Chair Sid Morrison called the regular meeting of the Executive Board of Energy Northwest to order at 1:08 p.m. There was a quorum present. An environmental analysis of the June 25 – 26, 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
Dan Gunkel
Jack Janda
Jim Moss
Skip Orser
Will Purser
Dave Remington
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others Present:

Both days: Board of Directors member – Terry Brewer; Participants Review Board member – Susan Thraen, Missoula Electric Cooperative; Kevin O’Meara, Public Power Council; Bonneville Power Administration staff - Mark Jones and Nancy Mitman;

Wednesday only: Bruce Landry, Potomac; and BPA staff (dinner only) – Elliott Mainzer, Greg Delwiche, Claudia Andrews, Larry Bekkedahl and Mark Gendron

Thursday only: Protiviti staff – Joel Hammer and Karen DeMartini; Bonneville Power Administration staff – Kathy Black, Jon Dull, Anna-Lisa Miller, Alex Roth

Staff Present:

Both days: Mark Reddemann, Dale Atkinson, Bob Dutton, Grover Hettel, Brent Ridge, David Briggs, Pattie Lilly, Mike Paoli and Angela Smith.

Wednesday only: N/A

Thursday only: John Irvan, Cristina Reyff and Jeff Smith.

Regular Executive Board Meeting

Executive Board Chair Sid Morrison introduced visitors.

Comments from Members of the Public

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

Approval of Minutes

The following meeting minutes were presented for approval:

- Regular Executive Board Meeting – May 14 - 15, 2014
- Special Executive Board/Compensation Subcommittee Meeting – May 23, 2014

Jim Moss commented that his name was not on the roll call for the May 14 – 15, 2014 Regular Executive Board Meeting minutes, although he did participate in the meeting. It was noted to add his name to the minutes.

Lori Sanders moved that the minutes be approved to include the addition of Mr. Moss' name being added to the minutes. Motion seconded. MOTION CARRIED.

Report by the Chief Executive Officer

Mark Reddemann, Chief Executive Officer, discussed the following: agency reorganization, an update from the American Public Power Association annual conference, the Carbon Reduction Task Force, the nuclear industry opening the Phoenix Response Center, the Nuclear Energy Institute's small modular reactor workshop, an anti-nuclear group's petitions to the Nuclear Regulatory Commission being denied by the NRC, the upcoming NWPPCC presentation, latest CEO Recognitions and high-level asset performance review.

Other Business

Chair Morrison presented EXECUTIVE BOARD RESOLUTION NO. 1810. A resolution expressing appreciation for Dale Atkinson's contributions as a member of the senior management team of Energy Northwest.

Kathy Vaughn moved that the resolution be adopted. Skip Orser seconded.

Chair Morrison opened the floor up for comments. Several Executive Board members added individual comments of appreciation and experiences with Mr. Atkinson.

Lori Sanders presented a token of appreciation on behalf of the Executive Board.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1810 UNANIMOUSLY ADOPTED.

Chair Morrison presented a card and flowers on behalf of the Executive Board to Pattie Lilly regarding her retirement.

Several Executive Board members added individual comments of appreciation for Ms. Lilly.

Nuclear Oversight & Safety Committee Reports

Committee Co-Chair Gunkel opened the Nuclear Oversight & Safety Committee and turned it directly to Grover Hettel, Vice President of Operations for the Chief Nuclear Officer Report.

Chief Nuclear Officer Report

Mr. Hettel presented the Chief Nuclear Officer Report on behalf of Brad Sawatzke, Vice President of Nuclear Generating / Chief Nuclear Officer.

Key points included plant status, station focuses (specifically the Independent Spent Fuel Storage Installation fuel loading campaign), upcoming events and Columbia performance indicators.

Hearing no additional questions or comments, the meeting recessed at 2:39 p.m. for a break; the meeting reconvened at 2:54 p.m.

Quarterly Contracts Review

Brent Ridge, Vice President of Corporate Services and Chief Financial/Risk Officer, presented a review of the quarterly contracts. Highlights included the project of: Reactor Water Clean Up Filter Demineralizer Integrated Flow Distributor; Owner Controlled Area Security Cameras; Fuel Pool Cooling Assist Mode Piping Modification; Critical Spares: Back-up and normal transformer and DO-P-1A,1B,2; Radwaste and Reactor Building Elevators; Independent Spent Fuel Storage Installation Expansion A/E Contract; Seed Rotor Project; and Network Lifecycle/Obsolescence.

Mr. Ridge asked if the board would like to continue having this presentation. After discussion the board requested it be presented to the Executive Board prior to the quarterly Participants Review Board presentation.

Commitment Review/Provide Majority-based Direction

The following new commitment was added:

- Present quarterly, for information only, to the Executive Board (prior to the Participants Review Board) regarding the expected procurements greater than 500K. – Brent Ridge - ongoing

Other Business

Co-Chair Gunkel informed the Executive Board that Rick Jacobs chair of the CNSRB will present at the August workshop.

Administrative, Energy & Member Services Committee Reports

Information Agenda Items

Committee Chair Sheldon opened the committee by reminding the board of the available reports on BoardDocs.

Compensation Subcommittee Recommendations

Brent Ridge, reviewed the Compensation Subcommittee recommendations for At-Risk Compensation and Long Term Incentive.

Discussion ensued regarding the subcommittee's recommendations.

The proposed significant event language was reviewed and discussed.

Subcommittee Chair Remington moved to approve MOTION 2014-13, that the Executive Board amend MOTION 2014-4 regarding the Fiscal Year At-Risk Compensation Plan and MOTION 2014-5 regarding the Fiscal Year 2015 Long Term Incentive program, both adopted at the May 15, 2014 Executive Board Meeting and substitute and approve the revised Fiscal Year 2015 At-Risk Compensation Plan and Long Term Incentive Plan, as discussed during the June 25, 2014, Executive Board meeting. Skip Orser seconded.

Chair Morrison called for the question of those in favor of MOTION 2014-13. MOTION CARRIED.

Commitment Review/Provide Majority-based Direction

- Consider a presentation on the energy imbalance market – possibly given by Bill Gaines of Tacoma Power.
- Consider how the new ruling regarding the Clean Water Act may impact Packwood – Energy Services & Development

Other Business

Kathy Vaughn provided an update on the APPA Annual Conference. Discussion also included the energy imbalance market and the new ruling regarding the Clean Water Act.

The board showed interest in having a board presentation regarding EIM due to its complex nature.

Committee Chair Sheldon noted that he had a tour of Jackson Prairie National Gas Storage Facility. He then turned the meeting back to Chair Morrison.

Regular Executive Board Meeting (*cont'd*)

The board discussed the structure of the Compensation Subcommittee. The board will keep the structure as it currently is and the subcommittee will provide better ongoing communication with the entire Executive Board.

Chair Morrison recessed the meeting at 4:15 p.m. until dinner.

Regular Executive Board Dinner Meeting

The Executive Board meeting convened at 6 p.m. for a social and dinner. Chair Morrison called the meeting to order at 7:39 p.m.

Chair Morrison introduced BPA Administrator Elliott Mainzer, and then requested everyone introduce themselves.

After introductions, Mr. Mainzer made several comments regarding the current focuses of BPA. Additionally, BPA presented a letter and plaque to Dale Atkinson for his retirement from Energy Northwest. Mr. Mainzer recognized the valuable effort and energy Dale Atkinson brought to the 2012 uranium tails transaction. Mr. Mainzer said the collaborative effort exemplifies the impact that Energy Northwest and BPA can have when working toward joint goals.

In wrapping up the evening, Chair Morrison stated that the EN/BPA relationship is positive and that it is good for BPA, good for EN and the bottom line is that it is good for the Northwest.

Hearing no further discussion, Chair Morrison adjourned the dinner meeting at 8:03 p.m.

Regular Executive Board Meeting (cont'd)

The regular Executive Board meeting reconvened at 8:01 a.m. on Thursday, June 26, 2014 by Executive Board Chair Morrison.

Audit, Legal & Finance Committee Reports

Information Agenda Items

Committee Chair Vaughn reviewed information agenda items on BoardDocs.

Regional Cooperation Debt

Brent Ridge, Corporate Services and Chief Financial/Risk Officer presented on Regional Cooperation Debt. Highlights included a review of regional cooperation debt restructuring including what has been done to date and next steps.

Discussion ensued on varying perspectives of regional cooperation debt.

The board requested they receive copies of the rating agencies' reports of BPA and for Energy Northwest staff to work with BPA to include forward looking metrics.

Committee Chair Vaughn moved in favor of MOTION 2014-9 that the Energy Northwest Executive Board supports extensions of up to \$6 million of 2016-2017 Columbia 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. Mr. Daudon seconded.

Discussion ensued on the motion placed before the board.

Chair Morrison called for the question of those in favor of MOTION 2014-9. MOTION CARRIED.

Committee Chair Vaughn moved in favor of MOTION 2014-10 that the Energy Northwest Executive Board supports extensions of up to \$321 million of fiscal year 2014 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. Mr. Remington seconded.

Chair Morrison called for the question of those in favor of MOTION 2014-10. MOTION CARRIED.

Projects 1 & 3 Amended Budgets

John Irvan, Treasury Services manager, presented on Projects 1 and 3 amended budgets. Highlights include JP Morgan lines of credit and the FY14 budget adjustments for Projects 1 and 3.

Nuclear Decommissioning and Site Restoration Trust Funds

Alex Roth, Financial analyst with BPA presented on Nuclear Decommissioning and Site Restoration Trust Funds. Highlights include Columbia fund target portfolio, Columbia fund asset allocation, fund summary of recent performance, component fund returns, WNP 1 and 4 fund market value and recent performance, and upcoming improvements.

Land Acquisition for Off-Site Emergency Operations Facility

Mr. Ridge presented on land acquisition for the off-site Emergency Operations Facility. Highlights include site consideration, and purchase and sale agreement.

Committee Chair Vaughn presented and moved for EXECUTIVE BOARD RESOLUTION NO. 1809. A resolution authorizing the purchase of a 5.1 acre parcel within the city of Richland, Washington. Mr. Janda seconded the resolution.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1809 UNANIMOUSLY ADOPTED.

The meeting recessed for a break at 9:35 a.m. and reconvened at 9:51 a.m.

PricewaterhouseCoopers' Audit Entrance Conference

Jeff Smith, Finance manager introduced Matt Kessler, senior audit manager and Ryan Van Oostrum, audit manager, both from PricewaterhouseCoopers' who presented on the audit entrance conference. Highlights include audit objectives, areas of audit emphasis, organization

of engagement team, utility practice, risk based audit approach, terms of engagement and timing.

Implementation of Project Management Recommendations from Protiviti

Mr. Hettel presented on implementation of project management recommendations from Protiviti. Highlights include observations and recommendations of the project management recommendations. Each observation and recommendation included an action owner, the management action plan and status of actions.

Administrative Audit – Compensation and Benefits Audit Results

Joel Hammer, director and Karen DeMartini, manager both from Protiviti, presented on the administrative audit of the compensation and benefits audit results. Highlights include an overview, testing approach, results and high level timeline.

Management Response – Compensation and Benefits Audit Results

Mr. Ridge presented on the management response of the compensation and benefits audit results. Highlights include management general audit comments and management's plan to address Protiviti's observations.

Agency Audit Annual Update

Cristina Reyff, Business Planning and Risk manager and Ms. DeMartini presented on the agency audit annual update. Highlights include the FY14 Combined Audit Plan summary results, historical audit overview and the FY15 Combined Audit Plan.

The board requested the internal audit reports be uploaded to BoardDocs.

The board also requested an addition to the FY Combined Audit Plan, an after transaction review audit by the administrative auditor – owner Brent Ridge.

Committee Chair Vaughn moved in favor of MOTION 2014-11 that the Executive Board approve the Energy Northwest Fiscal Year 2015 Combined Audit Plan as modified. Mr. Janda seconded.

Chair Morrison called for the question of those in favor of MOTION 2014-11. MOTION CARRIED.

Old Audit Records

Mr. Janda and Ms. Reyff presented on the old audit records. Highlights include records retention requirements, implementation of requirements, delegation and status.

Committee Chair Vaughn moved in favor of MOTION 2014-14 that the Executive Board delegate records retention review and approval relating to records created by the Executive Board's Administrative Auditor, to the Chief Executive Officer and allow for re-delegation to the appropriate officer in the company. Ms. Sanders seconded.

Chair Morrison called for the question of those in favor of MOTION 2014-14. MOTION CARRIED.

NoaNet Line of Credit

Dale Atkinson, Vice President of Energy Services and Development reminded the Executive Board of the presentation from last month regarding an update of NoaNet.

Will Purser moved in favor of MOTION 2014-12 that the Executive Board authorize a financial guarantee for a NoaNet line of credit not-to-exceed its expected membership share (8.04 percent) in the amount of \$643,500 by approving the Seventh Repayment Agreement in essentially the same form as the copy that is on file in the office of Energy Northwest, and authorizing the Supply Chain Services Manager to execute the same. Ms. Vaughn seconded.

Discussion ensued on the NoaNet repayment.

The board requested more information on NoaNet financials either by staff sending the financials or presenting to the board at a later date.

Chair Morrison called for the question of those in favor of MOTION 2014-12. MOTION CARRIED.

Commitment Review/Provide Majority-based Direction

The following new commitments were added:

- Work with BPA to create forward-looking metrics – John Irvan
- Provide copies of the BPA credit rating agencies' reports – John Irvan – ongoing
- Upload internal audit reports BoardDocs – Cristina Reyff
- Add to the FY Combined Audit Plan, an after transaction review of the satisfaction of the Executive Board's terms and conditions from BPA for regional debt cooperation – Protiviti
- Provide more information on NoaNet financials either by sending the financials or presenting to the board at a later date – Brent Ridge

Other Business

Hearing no other business, Committee Chair Vaughn turned the meeting back to Chair Morrison.

Regular Executive Board Meeting (cont'd)**Election of Officers**

Chair Morrison made opening comments regarding the election of officers. He requested Marc Daudon preside over the election process and asked that Jim Moss serve as the nominations chair.

Mr. Moss requested to nominate the four officers as a slate as follows:

Sid Morrison – Chair; Jack Janda – Vice Chair; Lori Sanders – Secretary; and Dave Remington – Assistant Secretary.

Mr. Moss moved to close the nominations with the above four nominations. Mr. Sheldon seconded. Motion unanimously passed/MOTION CARRIED.

Upcoming Meetings

Chair Morrison reminded the board that the next Regular Executive Board Meeting will be held on July 23 – 24, 2014 at the Holiday Inn Express, in Pasco, Wash.

Other Business

Grant PUD Commissioner Terry Brewer provided an update on the work going on at the dams.

BPA System Report

Mark Jones of BPA provided a brief update of current water conditions and other BPA-related information. He also expressed appreciation on behalf of Nancy Mitman for the Executive Board approving Motions 2014-9 and 2014-10.

Facility Tours

Mike Paoli, Public Affairs manager inquired about the board's interest in a tour of Nine Canyon Wind Project in conjunction with the July Executive Board meeting. The afternoon of July 24 (after the Executive Board meeting) is being scheduled for the Nine Canyon tour. Board members interested were asked to let Angela Smith know.

Commitment Review/Provide Majority-based Direction

No new commitments were added.

Other Business

Chair Morrison reminded board members to review and fill in their Education & Development plan documents and return to Energy Northwest Board Relations.

Chair Morrison presented a letter from Gov. Inslee reappointing Marc Daudon to the Energy Northwest Executive Board.

Hearing no further discussion, Chair Morrison thanked everyone for attending and wished them a safe journey home. The regular meeting adjourned at 12:41 p.m.

Respectfully submitted by,

Angela Smith
Board Relations