

**Minutes of the
Energy Northwest
Regular Executive Board Meeting
Red Lion Hotel – Columbia Center – Clearwater Room
1101 N. Columbia Center Blvd.
Kennewick, Wash.
Oct. 22 – 23, 2014**

Vice Chair Jack Janda called the regular meeting of the Executive Board of Energy Northwest to order at 10:06 a.m. on Oct. 22, 2014 in the Clearwater Room of the Red Lion Hotel – Columbia Center, Kennewick, Wash. There was a quorum present. An environmental analysis of the Oct. 22 – 23, 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 (Wednesday only)
Skip Orser
Will Purser
Dave Remington (Wednesday only)
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others Present: Board of Directors Members – Phil Lusk, City of Port Angeles; Curt Knapp, Pend Oreille PUD; Doug Aubertin, Ferry County PUD; Barney Burke, Jefferson County PUD; Steve Houston, Okanogan County PUD; and Judy Ridge, Asotin County PUD; Shirley Reese, Reese Government Relations; Jim Rowland, Rowland Co; Blaine Johnson, PSAV; Bonneville Power Administration – Phillip Smith, Larry Felton and Cherie Sonoda; Chad Bartram, Benton County PUD; Ed Brost, Franklin PUD; and Steve Andersen, EES Consulting.

Staff Present: Mark Reddemann; Brad Sawatzke; Brent Ridge; Grover Hettel; Bob Dutton; Jim Gaston; Mike Paoli; Dave Briggs; Karen Claussen; Daniel Dale; Don Gregoire; Bill Guldemon; Ron Hogue; John Irvan; Steve Lorence; Carla Martinez; Angela Smith; Jeff Smith; Dave Swank; Marie Thomas; Cindy Way; and Jeff Windham.

Regular Executive Board Meeting

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 – Sept. 24 - 25, 2014
- Special Executive Board/Compensation Subcommittee Meeting – Sept. 24, 2014

Ms. Kathy Vaughn moved that the minutes be approved. Mr. Jim Moss seconded. MOTION CARRIED.

Other Business

Mr. Mike Paoli, Public Information Officer, reminded board members that for the past two years, the November meetings were canceled.

Mr. Paoli shared that there are several actions that need to take place in November. Therefore, staff proposed the board hold a one-hour teleconference for the November meeting in place of canceling or holding an in-person meeting.

Vice Chair Janda asked for feedback. Mr. Jim Moss said that he believes a teleconference is the right move.

Ms. Kathy Vaughn moved that the Energy Northwest Executive Board hold a conference call for the November meeting on Nov. 13, 2014, time to be determined. Mr. Jim Moss seconded.

Vice Chair Janda said the motion has been made and seconded for the November meeting to be a teleconference on Nov. 13, 2014 for a one-hour meeting with a time to be determined and asked the question. MOTION CARRIED.

Nuclear Oversight & Safety Committee Reports

Committee Chair Skip Orser opened the Nuclear Oversight and Safety Committee and turned it over to Dave Swank, Assistant Vice President of Engineering for a Fukushima update.

Fukushima Update

Mr. Swank, presented an update on Fukushima. Key points included: information on the hardened vent system, other significant activities and project budget.

Discussion ensued regarding the project.

The board requested an update on TEPCO's Fukushima clean up. Mr. Paoli committed to providing the information to the board.

Regulatory Update

Mr. Grover Hettel, Vice President of Operations, presented a regulatory update. Key points included: Nuclear Regulatory Commission's action matrix background, NRC reactor oversight process, NRC action matrix columns and summary, inspection findings, performance indicators and cross-cutting aspects.

Discussion ensued regarding the inspection findings. Mr. Don Gregoire, Regulatory Affairs manager provided additional detail.

Contracts Review Update

Mr. Daniel Dale, Supply Chain Services manager, presented a contracts review update. Key contracts discussed included: Outage Contracts – Health Physics Technicians, Protective Clothing Laundry and Leasing, Turbine Generator Outage Services, Chemical Cleaning on Cooling Coil, Security Computer System, Digital Asset Protection System and Independent Spent Fuel Storage Installation Expansion.

Discussion ensued on the contracts.

Radiological Protection Services Supporting R22

Mr. Dale presented on Radiological Protection services supporting refueling and maintenance outage 22. Key points included: Health Physics service history, outage maintenance services and contract award consideration.

The meeting recessed at 11:31 a.m. for a break and reconvened at 12 p.m.

Committee Chair Orser moved to approve EXECUTIVE BOARD RESOLUTION NO. 1821 – a Resolution Authorizing the award of Work Release Order No. 2 of contract No. 336973 with Bartlett Nuclear, Inc. for Radiological Protection Services during Refueling and Maintenance Outage 22 – Columbia Generating Station. Ms. Linda Gott seconded.

Vice Chair Janda opened the floor up for comments. Hearing none, Vice Chair Janda called for the question. EXECUTIVE BOARD RESOLUTION NO. 1821 UNANIMOUSLY ADOPTED.

Commitment Review/Provide Majority-based Direction

The following new commitment was added:

- Provide an update on TEPCO's Fukushima cleanup efforts – Mike Paoli

Hearing no additional questions or comments, Committee Chair Orser turned the meeting back to Vice Chair Janda who turned the meeting over to Administrative, Energy and Member Services Committee Chair Tim Sheldon.

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.

Strategic Plan Quarterly Update

Mr. Brent Ridge, Vice President of Corporate Services and Chief Financial Officer, presented the quarterly update for strategic planning. Key points included: Fiscal Year 2015 performance

indicators for each of the Focus Areas. Focus Area owners spoke to their Focus Areas as relevant. Mr. Ridge also shared an update on the Fiscal Year 2016 Strategic Planning progress.

Board members requested information on a detailed plan/recovery for the Corporate Responsibility Focus Area's strategic initiatives (where applicable).

Board members also requested the Northwest River Partners survey Mr. Ridge referenced during the Stakeholder Trust & Confidence Focus Area discussion.

Staff asked the board if the presentation met the board's needs. The board requested to focus on the details of two Focus Areas each quarter thereby ensuring within a year all the Focus Areas are covered. In the case there is emergent information regarding any specific Focus Area previously covered, it may be presented again, as necessary.

And finally, based on a discussion during the Compensation Subcommittee, Mr. Ridge also shared that staff will bring a draft of the Fiscal Year 2016 – 2018 Strategic Plan to the Executive Board in March instead of April (approval of the plan is still scheduled for April).

Executive Session for Compensation Subcommittee Discussion

The meeting recessed at 12:50 p.m. for the purpose of holding an Executive Session in accordance with RCW 42.30.110(1)(g). The meeting reconvened at 1:30 p.m.

Compensation Subcommittee Recommendations

Mr. Skip Orser moved that the Executive Board approve MOTION 2014-24 stating that the Executive Board approve a Leadership Award to the Chief Executive Officer, Mark E. Reddemann for excellence in performance as discussed and recommended by the Compensation Subcommittee of the Executive Board.

AND

Mr. Skip Orser moved that the Executive Board approve MOTION 2014-26 stating that the Executive Board approve the recommendation of the Chief Executive Officer Mark E. Reddemann to establish a Chief Operating Officer position as discussed and recommended by the Compensation Subcommittee and Executive Board.

Ms. Lori Sanders seconded.

Chair Morrison called for the question of those in favor of MOTIONS 2014-24 and 2014-26. MOTIONS CARRIED.

The meeting recessed at 1:36 p.m. for a break and reconvened at 1:50 p.m.

Pre and Post I-937 History Panel Discussion / Member Input

Mr. Ridge, introduced panel members Chad Bartram, Benton PUD; Ed Brost, Franklin PUD and Steve Andersen, EES Consulting.

Mr. Ridge provided a brief overview of Initiative 937 (also known as the Energy Independence Act – EIA).

Panel members then provided initial opening comments; followed by a question and answer discussion on whether their utility took a position on I-937, what were the unintended consequences of the initiative and their recommendations to the Executive Board regarding a potential carbon policy.

Key points included:

- It's costing utilities a lot of money to purchase power they do not necessarily need.
- It's hard to get utilities all on the same page. All have different resource loads, load profiles and utilities are affected differently.
- Public utilities have strict restrictions on campaign contributions and grass roots lobbying. They cannot engage in grass roots lobbying with customers like cooperatives or private utilities can.
- Conservation targets are potentially a bigger problem than the renewables targets.
- Carbon policy has a high potential for the same kind of impacts as the EIA.

Key recommendations included:

- Understand the drivers of the policy.
- Take your time talking to all the members.
- Engage with the opposition and try to find a common ground (or at least understand the other side).
- Be principle driven / Define the goal.
- Support good policy even if the sides are not equal.
- Energy Northwest is an important part of the public power community so work with the community.
- Public power should take a position and offer an alternative. When you say 'No' you get uninvited from the table on the next issue.
- Hold public hearings, pass resolutions, do your homework, inform customers and legislators.
- Run as many numbers you can on what the potential outcomes may be. Back cast your costs given historical data. What have costs been the last 20 years? Numbers can help formulate policy.

The board requested the historical cost of "buying before need" for the PUDs based on I-937.

Recommendations to Joint Select Task Force on Nuclear Energy and the Carbon Emissions Reduction Taskforce

Mr. Mark Reddemann, Chief Executive Officer and Mr. Paoli presented the policy principle recommendations for the Joint Select Task Force on Nuclear Energy and the Carbon Emissions Reduction Taskforce.

Board members provided extensive feedback. Mr. Reddemann committed that staff would incorporate the board's feedback and present the updated document during the next day's board meeting.

Commitment Review/Provide Majority-based Direction

- Provide information on detailed plan / recovery for the Focus Area: Corporate Responsibility strategic initiatives (where applicable) – Brent Ridge – quarterly update when Corporate Responsibility will be addressed
- Provide EB members the Northwest River Partners survey and EN's latest public survey for question comparison specific to: What sources of electricity most cost effectively meet our energy demands in Washington while protecting the environment? – Mike Paoli
- Present Strategic Plan 'high level' every 6 months / present 2 Focus Areas in detail quarterly – Brent Ridge - quarterly
- Provide Fiscal Year 2016 – 2018 Strategic Plan draft to Executive Board – Brent Ridge – March 2015
- Determine historical cost of "buying before need" for the PUDs based on I-937 – Brent Ridge – Future EB meeting
- Discussion of what does "Clean Energy" mean / what does it include – Brent Ridge – Future EB meeting

Other Business

Hearing no additional questions or comments, Committee Chair Sheldon turned the meeting to Chair Morrison who turned the meeting over to Audit, Legal and Finance Committee Chair Kathy Vaughn.

Audit, Legal & Finance Committee Reports

Information Agenda Items

Committee Chair Vaughn welcomed the Executive Board to the Audit, Legal and Finance Committee and welcomed the first presenter, Ms. Cindy Way, Compensation and Benefits administrator.

Flex Benefits Contracts

Ms. Way presented on the Flex Benefits Contracts. Highlights included 2015 benefits cost changes and 2015 benefits costs.

Committee Chair Vaughn moved to approve EXECUTIVE BOARD RESOLUTION NO. 1822 – a Resolution authorizing the execution of contracts to implement the employee flexible benefits plan for calendar year 2015 and to participate in the Washington state insurance plans – Energy Northwest. Mr. Jim Moss seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1822 UNANIMOUSLY ADOPTED.

Management Corrective Actions – PwC FY 2014

Ms. Karen Claussen, Financial Accounting supervisor, presented on the financial audit and related corrective actions. Highlights included financial audit recap, management perspective, accounting transactions, capitalized investments, fuel cask accounting, process improvement, information technology and summary.

The board requested Ms. Claussen provides an update in six months regarding how the implementation changes are working per the management response to the PwC management letter.

Quarterly Cost Reviews – Columbia / Energy Services & Development

Mr. Ron Hogue, Asset manager, presented the quarterly cost reviews for Columbia Generating Station. Highlights included operations and maintenance, and capital budgets for Columbia.

Mr. Jeff Windham, Treasury/Budgets supervisor, presented the quarterly cost reviews for Energy Services and Development. Highlights included budgets for Packwood, Nine Canyon and the Business Development.

Conservation Discussion

Mr. Ridge provided an overview of the conservation discussion from the latest Public Power Council meeting.

Hearing no additional questions or comments, Committee Chair Vaughn turned the meeting back to Chair Morrison.

Commitment Review/Provide Majority-based Direction

- Provide an update in six months regarding how the implementation changes are working per the management response to the PwC management letter – Karen Claussen – March 2015

Regular Executive Board Meeting *(cont'd)***Upcoming Meetings**

Chair Morrison reminded the board that the November Executive Board Meeting will be held via teleconference on Nov. 13 (time to be determined).

Other Business

None.

BPA Report

Mr. Phil Smith BPA provided a brief update of current water conditions and other BPA-related information.

Staff Announcements

Mr. Paoli reminded the board of the Member Forum starting Thursday directly following the governing board meetings. He also informed the board of the upcoming Corporate Nuclear Safety Review Board meetings and the opportunity of some upcoming department-specific tours.

Meeting critique

Mr. Jim Moss provided the Executive Board meeting critique for the month of October.

Hearing no further discussion, Chair Morrison recessed the meeting at 5:13 p.m. until dinner.

Regular Executive Board Meeting (*cont'd*)

The Executive Board reconvened at 6 p.m. for a social and dinner.

Ms. Lori Sanders shared a video on bike lights on Kickstarter.

Ms. Deborah Sliz provided some comments on the latest in Washington D.C.

Ms. Linda Gott provided a trip report on Energy Northwest's Safe Day Event held on Sept. 30 and the September and October NoaNet meetings.

Mr. Marc Daudon presented on the BOAO forum.

Hearing no further discussion, Chair Morrison recessed the meeting at 8:10 p.m. until the morning.

Regular Executive Board Meeting (*cont'd*)

Chair Morrison continued the Regular Executive Board Meeting at 8:01 a.m. on Thursday, Oct. 23, 2014 leading directly into the Joint Executive Board / Board of Directors meeting (*separate meeting minutes*).

Chair Morrison continued the Regular Executive Board Meeting at 11:12 a.m. following the Joint Executive Board / Board of Directors Meeting and the Regular Board of Directors Meeting.

Recommendations to Joint Select Task Force on Nuclear Energy and the Carbon Emissions Reduction Taskforce (*cont'd*)

Mr. Reddemann and Mr. Paoli presented the updated energy policy principles per board feedback during the previous day's meeting and individual feedback gained earlier on Thursday morning.

Ms. Kathy Vaughn moved to approve MOTION 2014-25 stating that the Energy Northwest Executive Board endorses the Task Force Recommendations for the Carbon Emissions

Reduction Taskforce and the Joint Select Task Force on Nuclear Energy as discussed by the Executive Board. Ms. Lori Sanders seconded.

Chair Morrison called for the question of those in favor of MOTION 2014-25. MOTION CARRIED.

The board requested the updated energy policy principles be emailed to the board in addition to posting to BoardDocs.

Commitment Review/Provide Majority-based Direction

- Send the final, Executive Board-endorsed energy policy principles (recommendations to the task forces) to the board (email and BoardDocs) – Angela Smith – no later than Nov. 10

Mr. Paoli announced that staff has updated the Perspectives on Nuclear document to include that like several other utilities; the City of Port Angeles does not take a position on nuclear energy. The updated version is located on BoardDocs.

Hearing no further discussion, Chair Morrison adjourned the Regular Executive Board Meeting at 11:44 a.m.

Respectfully submitted by,

Angela Smith
Board Relations