

**Minutes of the
Energy Northwest
Regular Executive Board Meeting
Energy Northwest
Holiday Inn Express – Vineyard Room
4525 Convention Place
Pasco, Wash.
Jan. 28 – 29, 2015**

Chair Sid Morrison called the regular meeting of the Executive Board of Energy Northwest to order at 2:38 p.m. on Jan. 28, 2015 in the Vineyard Room of the Holiday Inn Express, Pasco, Wash. There was a quorum present. An environmental analysis of the Jan. 28 – 29, 2015 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
Dave Remington
Lori Sanders (Wednesday only)
Tim Sheldon
Kathy Vaughn

Others Present:

Both days: Board of Directors members – Gary Hicks, Asotin PUD (alt.); M.L. Norton, Centralia City Light; Carnan Bergren, Chelan PUD; Jim Malinowski, Clark Public Utilities; Ned Piper, Cowlitz PUD; Terry Brewer, Grant PUD; Dean Dahlin, Lewis PUD (alt.), Steve Houston, Okanogan PUD; Curt Knapp, Pend Oreille PUD; and PSAV – Blaine Johnson; Bonneville Power Administration – Larry Felton, Mark Jones and Cherie Sonoda.

Wednesday only: Board of Directors members – Arie Callaghan, Grays Harbor PUD; Shan Rowbotham, Kittitas PUD; Dan Gunkel, Klickitat PUD; Phil Lusk, City of Port Angeles; and Diana Thompson, Pacific PUD; UFA Ventures – Dr. James Conca.

Wednesday dinner only: Kim Knapp; Mitch Lewis; Judie Malinowski; Lena Norton; Scott Sanders; and Lisa Toomey.

Thursday only: Participants Review Board member – Stu Nelson, Franklin PUD; Shirley Reese, Reese Government Relations; Jim Rowland, Rowland, Co (via teleconference); and Bonneville

Power Administration – Damen Bleiler, Jon Dull, Javier Fernandez, Kyle Hardy, Bill Hendricks, Melike Kayim and Nancy Mitman.

Staff Present:

Both days: Mark Reddemann; Brad Sawatzke; Brent Ridge; Grover Hettel; Bob Dutton; Mike Paoli; Dave Briggs; Carla Martinez; and Angela Smith.

Wednesday only: Jim Gaston.

Thursday only: Johnathan Hicks; Ron Hogue; John Irvan; Steve Lorence; Suzanne Mitchell; Jeff Smith; Marie Thomas; Don Queen; 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 – Dec. 17 - 18, 2014
- Special Compensation Subcommittee Meeting – Dec. 17, 2014

Ms. Kathy Vaughn moved that the minutes be approved. Ms. Linda Gott seconded. MOTION CARRIED.

Other Business

Hearing no other business, Chair Morrison turned the meeting over to Mr. Skip Orser.

Nuclear Oversight & Safety Committee Reports

Committee Chair Skip Orser opened the Nuclear Oversight and Safety Committee and turned it over to Mr. Dave Swank, assistant vice president, Engineering.

Fukushima Update

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

Waste Isolation Pilot Plant Update

Dr. James Conca of UFA Ventures, presented an update on the Waste Isolation Pilot Project. Key points included: categories of nuclear waste in the United States, what makes a good deep geologic nuclear waste repository, evolution of the WIPP disposal rooms, waste disposal footprint in salt, the President's Blue Ribbon Commission on America's nuclear future, interim

storage for commercial used fuel, deep borehole injection of used fuel and the WIPP events in February 2014.

Commitment Review/Provide Majority-based Direction

No new commitments were added.

Other Business

Hearing no additional questions or comments, Committee Chair Orser turned the meeting back to Chair Morrison who recessed the meeting at 4:04 p.m. until dinner.

Regular Executive Board Dinner Meeting

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

Chair Morrison adjourned the dinner meeting at 8 p.m.

Regular Executive Board Meeting (cont'd)

The regular Executive Board meeting reconvened at 8:03 a.m. on Thursday, Jan. 29, 2015 by Executive Board Chair Morrison who immediately turned the meeting over to Mr. 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.

Member Visit Update

Ms. Linda Gott provided an update on her member visit to Jefferson County PUD.

Member Forum and Survey Update

Ms. Suzanne Mitchell, Facilities Leasing & Business Planning manager and Ms. Laura Scheele, Public Affairs senior analyst, presented information on the 2014 Member Forum and member survey. Key points included: overall results of the Member Forum, roundtable input, and suggestions; 2014 member survey background, key findings and upcoming 2015 survey.

Compensation Subcommittee Charter Revisions

Mr. Steve Lorence, Human Resources manager, presented the Compensation Subcommittee charter revisions. Key points included: overview of the committee's purpose and recommended charter updates as follows (recommended changes shown in red):

-Assist the EB in annually reviewing with the CEO the CEO's performance summaries and compensation recommendations for each of the other executive officers **and any other employees selected by the CEO** ...

-The members of the Subcommittee will be appointed **annually** by the chair of the AEM.

Discussion ensued regarding the use of the word ‘any.’ Revised language discussed is as follows:

-Assist the EB in annually reviewing with the CEO the CEO’s performance summaries and compensation recommendations for each of the other executive officers **and other key employees selected by the CEO** ...

Compensation Subcommittee Chair Dave Remington moved to approve Motion 2015-2 to adopt the revisions to the Executive Board’s Compensation Subcommittee’s Charter as described during an open public meeting on Jan. 29, 2015. AEM Committee Chair Sheldon seconded. MOTION CARRIED.

Subcommittee Chair Remington discussed the request by the board to review what the Compensation Subcommittee does, requesting clarity for what information the board desires.

Discussion ensued.

Mr. Brent Ridge, Vice President of Corporate Services and Chief Financial Officer committed to discuss and review compensation strategies.

The meeting recessed at 9:25 a.m. for a break and reconvened at 9:38 a.m.

Strategic Plan Quarterly Update

Ms. Marie Thomas, Business Strategy & Risk supervisor and Mr. Don Queen, Business Services manager, presented an update on the Fiscal Year 2015 Strategic Plan. Key points included: scorecard overview; details on Energy Services & Development Focus Areas of Services & Operating Excellence and Innovative Energy Solutions; and FY 16 – 18 Strategic Plan update.

Discussion ensued on the performance indicators and placement of the strategic initiatives.

Mr. Ridge committed to discuss and review Stakeholder Trust & Confidence Focus Area performance indicators and location of member relations strategic initiatives between ST&C and ESD focus areas at the next Executive Board Strategic Planning workshop.

Legislative Update

Ms. Shirley Reese with Reese Government Relations and Mr. Jim Rowland with Rowland, Co. provided a brief update of the current Washington legislative session.

Ms. Reese shared with the board the latest expectations regarding the limitation of meals provided to legislators and staff; and her recommendation to have a stand-up reception in place of the sit-down dinner during the February board meeting.

Ms. Reese reviewed the proposed addition of Issue 8 to be incorporated in the Energy Northwest Legislative Issues 2015 document.

Discussion ensued regarding the proposed contract amount.

Mr. Ridge committed to benchmark the bid limits of public utility districts.

Committee Chair Sheldon moved to approve MOTION 2015-3 to modify Resolution No. 1828 adopted by the Executive Board on the 17th day of December 2014, to modify the calendar year 2015 legislative positions with the revised legislative issues document as presented to the Executive Board on January 29, 2015. Ms. Linda Gott seconded. MOTION CARRIED.

Commitment Review/Provide Majority-based Direction

The following new commitments were added:

- Discuss/Review compensation strategies – Brent Ridge
- Discuss/Review Stakeholder Trust & Confidence Focus Area performance indicators and location of member relations strategic initiatives between ST&C and ESD focus areas – Brent Ridge – Annual EB Strategic Planning workshop
- Benchmark the bid limits of member public utility districts – Brent Ridge

Other Business

Hearing no additional questions or comments, Committee Chair Sheldon turned the meeting over to Chair Morrison who turned the meeting over to Ms. 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 directed members to review the Cost Report on BoardDocs.

NoaNet Report

Ms. Linda Gott provided a NoaNet update.

Audit Plan Update

Mr. Jack Janda provided an update on the audit plan.

Committee Chair Vaughn shared that she has reviewed the plan with Mr. Janda. Discussion ensued regarding the path forward to postpone the audit.

Hearing no objection from the Executive Board, Mr. Janda will move forward with the plan as discussed during the meeting.

Regional Cooperation Debt Update

Mr. Javier Fernandez from the Bonneville Power Administration presented the regional cooperation debt update. Key points included: rate setting and capital review process, access to capital update, BPA operation and financial information, and BPA debt management.

The meeting recessed at 12:13 p.m. to get lunch; the meeting reconvened at 12:23 p.m.

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 Business Development.

Investment Policy

Mr. Windham presented recommended changes to the investment policy.

Committee Chair Vaughn moved that the Energy Northwest Investment Policy be modified as follows:

- Include strengthened diversification language to limit investment by security type and institution. Excluding U.S. Treasury securities and authorized pools, no more than 50% of the entity's total investment portfolio will be invested in a single security type or with a single financial institution.
- Include strengthened maximum maturity restriction to limit purchase of securities to a duration of five years or less.
- Remove section related to Accounting Capital Gains / (Losses) not typically found in an investment policy.
- Include various administrative changes based on feedback as a result of the Washington Municipal Treasurer's Association certification process.

Mr. Remington seconded the motion. MOTION CARRIED.

Commitment Review/Provide Majority-based Direction

No new commitments were added.

Regular Executive Board Meeting (cont'd)

Upcoming Meetings

Chair Morrison reminded the board that the February Executive Board Meeting will be held at the DoubleTree by Hilton in Olympia, Wash. on Feb. 25 and 26, 2015.

Other Business

None.

BPA Report

Ms. Cherie Sonoda with BPA provided a brief update of current water conditions and other BPA-related information.

Mr. Larry Felton with BPA shared about the energy imbalance market.

Discussion ensued on the level of information the board has about the energy imbalance market including what the expectation of the board is regarding the energy imbalance market. Staff clarified that there is no expectation or ask of the Executive Board. The board requested additional information regarding this issue to include a non-PUD perspective.

Commitment Review/Provide Majority-based Direction

The following new commitment was added:

- Provide additional information to the board regarding energy imbalance market (non-PUD perspective) – TBD – future board meeting

Meeting critique

Ms. Vaughn provided the Executive Board meeting critique for the month of January.

Staff Announcements

Mr. Mike Paoli advised the board that they would receive the latest Member Directory the following Monday and reminded the board of upcoming member visits.

Hearing no further discussion, Chair Morrison adjourned the meeting at 1:23 p.m.

Respectfully submitted by,

Angela Smith
Board Relations