

**Minutes of the
Energy Northwest
Regular Executive Board Meeting
Holiday Inn Express – Vineyard Room
4525 Convention Place
Pasco, Wash.
April 27 – 28, 2016**

Chair Sid Morrison called the regular meeting of the Executive Board of Energy Northwest to order at 2:23 p.m. on April 27, 2016 in the Vineyard Room of the Holiday Inn Express in Pasco, Wash. There was a quorum present. An environmental analysis of the 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	Present
Jack Janda, Vice Chair	Present
Lori Sanders, Secretary	Present
Dave Remington, Assistant Secretary	Absent
Marc Daudon	Present
Linda Gott	Present
Jim Moss	Present
Skip Orser	Present
Will Purser	Present
Tim Sheldon	Present
Kathy Vaughn	Present

Others Present:

Both days: Participants Review Board member – Stu Nelson; Board of Directors members – Terry Brewer, Barney Burke, Steve Houston, Jim Malinowski, Judy Ridge and Chuck TenPas; PSAV – Blaine Johnson; and Bonneville Power Administration – Phil Smith.

Wednesday only: Board of Directors members – Doug Aubertin, Caran Bergren, Arie Callaghan, Liz Green, Bob Hammond, Mike Jones, Curt Knapp, M.L. Norton, Shan Rowbotham and Diana Thompson; IBEW – Alan Sage; Rowland and Co. – Jim Rowland; Tri-City Herald – Annette Cary; Northwest Public Radio – Courtney Flatt; DecisionWise – Dr. David Mason.

Thursday only: Board of Directors member – Ned Piper; Bonneville Power Administration – Wayne Todd.

Staff Present:

Both days: Mark Reddemann; Brad Sawatzke; Brent Ridge; Grover Hettel; Alex Javorik; Bob Dutton; Mike Paoli; Bob Schuetz; Dave Briggs; Kent Dittmer; John Irvan; Angela Smith; and Marie Thomas.

Wednesday only: Jim Gaston; Brian Adami; Steve Lorence; Robin Rego; and Richard Shaff.

Thursday only: Johnathan Hicks; Karen Kessler; Dean Kovacs; Suzanne Mitchell; Cristina Reyff; and Jeff Smith.

Regular Executive Board Meeting

Comments from Members of the Public

Chuck Johnson, Oregon/Washington Physicians for Social Responsibility noted that CEO Mark Reddemann outlined his analysis of the information PSR sent and stated that in his opinion in many cases his analysis is not accurate. He also shared that he hopes in reviewing the list, the board gets a sense of the many things that are addressed; that the plant is continuing to age and therefore the board will be facing tough decisions regarding what money should be spent on the plant. He also said the board should start thinking about a plan B sooner than they may have thought they needed to even a few years ago. He ended by sharing that the likelihood of any accident at Columbia is probably fairly low; however the future is unknown and therefore the board should consider looking at an alternate plan.

Approval of Minutes

The following meeting minutes were presented for approval:

- Executive Board / Participants Review Board Budget Workshop – March 22, 2016
- Joint Executive Board / Participants Review Board Meeting – March 22, 2016

Ms. Kathy Vaughn moved that the minutes be approved. Mr. Marc Daudon seconded. MOTION CARRIED.

The following meeting minutes were presented for approval:

- Ad Hoc Subcommittee Meeting – March 23, 2016
- Ad Hoc Subcommittee Meeting – April 12, 2016
- Compensation Subcommittee Meeting – March 24, 2016

Mr. Skip Orser moved that the minutes be approved. Ms. Linda Gott seconded. MOTION CARRIED.

The following meeting minutes were presented for approval:

- Executive Board Meeting – March 23 - 24, 2016

Ms. Kathy Vaughn moved that the minutes be approved. Ms. Lori Sanders seconded. MOTION CARRIED.

Other Business

Mr. Dave Jordan, committee chair for the Energy Northwest March of Dimes campaign shared highlights of the current MOD campaign.

Ms. Sanders presented \$176.00 to the EN MOD committee on behalf of the Executive Board.

The meeting recessed for a break at 2:35 p.m.; and reconvened at 2:45 p.m.

Executive Session

Chair Morrison called a one and a half hour executive session beginning at 2:50 p.m. in accordance with RCW 42.30.110(1)(f):

To receive and evaluate complaints or charges brought against a public officer or employee. However, upon the request of such officer or employee, a public hearing or a meeting open to the public shall be conducted upon such complaint or charge.

The executive session was extended by 10 minutes at 3:50 p.m.

The executive session was extended by 10 minutes at 4 p.m.

The executive session was extended by 10 minutes at 4:10 p.m.

The executive session was extended by 2 minutes at 4:20 p.m.

The executive session was extended by 5 minutes at 4:22 p.m.

The meeting reconvened as an open public meeting at 4:25 p.m.

The meeting recessed for a break at 4:25 p.m.; and reconvened at 4:30 p.m.

Nuclear Oversight & Safety Committee Reports

Committee Chair Skip Orser opened the Nuclear Oversight and Safety Committee and turned the floor over to Mr. Alex Javorik.

Fukushima Project Update

Mr. Alex Javorik, vice president for Engineering, presented the request for board approval for Fukushima seismic probabilistic risk assessment. Key points included: a background and discussion of the proposed work; and the recommendation to approve Resolution No. 1873.

Resolution 1873

Committee Chair Orser moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1873 A resolution authorizing the execution of a contract with Enercon for engineering services to address outstanding actions – Columbia Generating Station. Seconded by Ms. Linda Gott.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1873, UNANIMOUSLY ADOPTED.

Independent Investigation Update

Mr. Orser provided a summary of work to date regarding the independent investigation. He shared that phase two is under way with interviews moving forward. In addition some members of the board received a third letter that included significant background information. Mr. Orser stated that the letter and materials were forwarded to the independent investigator due to the

letter taking issue with the findings of the investigation. At the present time the investigative team is absorbing the new information received.

Commitment Review/Provide Majority-based Direction

The following new commitment was added:

- Ms. Lori Sanders requested the Tier 1 BPA cost and projections be emailed to board members – Angela Smith

Other Business

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

The meeting recessed for a break at 3:12 p.m.; the meeting reconvened at 3:37 p.m.

Chair Morrison turned the meeting over to Mr. Tim Sheldon.

Administrative, Energy & Member Services Committee Reports

Information Agenda Items

Committee Chair Tim Sheldon opened the Administrative, Energy & Member Services Committee by reminding the board of the available reports on BoardDocs.

Employee Engagement

Mr. Brent Ridge, vice president for Corporate Services and Chief Financial & Risk Officer and Dr. David Mason with DecisionWise presented results of Energy Northwest's recent employee engagement survey. Key points included: the engagement experience; participation rate; EN's overall score; areas with low scores; recommendations; key themes; strengths; areas to explore; focus group feedback; and employee engagement actions.

The meeting recessed at 5:28 p.m. until dinner.

Board Dinner

The Executive Board and Board of Directors reconvened for dinner at 6 p.m.

Dr. Elvin Delgado from Central Washington University presented on the Institute for Integrated Energy Studies. Key points included: basis for establishing the institute; the institutes approach to energy; focus areas; student demographics; research; core capabilities; and benefits to EN.

The dinner meeting recessed at 8 p.m.

The Executive Board meeting reconvened the AEM Committee on April 28, 2016 at 8 a.m.

Strategic Planning Quarterly Update & Fiscal Year 2017 – 2019 Strategic Plan Approval

Mr. Ridge presented a high-level overview of the current Fiscal Year 2016 – 2018 Strategic Plan scorecard.

After feedback from the board, Mr. Ridge took the action to assess the color of performance indicators and how they reflect and paint an overall picture of reality versus perception versus meeting/completing strategic initiatives in the plan.

Ms. Suzanne Mitchell, Facilities and Leasing manager, provided a detailed report on the two Energy Services & Development focus areas (Services & Operating Excellence and Innovative Energy Solutions).

Mr. Ridge reviewed the latest Fiscal Year 2017 – 2019 Strategic Plan draft seeking approval of the new plan. The Executive Board provided feedback to be incorporated into the plan as follows:

- Include stronger language regarding employee engagement in the Message from the CEO
- Add safety goals for ESD to Safety First and Services & Operating Excellence focus areas
- Assess ESD focus areas' performance indicators and strategic initiatives to include what the desired end result is (not only completing actions, but what does EN want to achieve by taking such actions)
- Define ESD objectives
- Ensure ESD focus area calls out general manager advisory meeting in the strategic initiatives
- Update individual fiscal year measures of excellence goals in Nuclear Excellence regarding top quartile – instead list the specific goal for that fiscal year
- Add a challenge to excellence regarding Human Performance to Nuclear Excellence
- Ensure measures (performance indicators) and strategic initiatives reflect/link to the at-risk compensation targets

Separate from the plan, staff committed to update the boards when the path forward regarding the latest demand response initiative is known (pilot versus commercial). In addition to a potential email update, staff will present at an upcoming board meeting.

Additionally, the board requested further discussion during the August workshop on how fiscal year goals are reflected, such as interim milestones that leads the agency towards the ultimate goal.

The board also requested an update on the energy imbalance market at a future meeting (potentially August workshop and by BPA).

Furthermore, the board requested Mr. Ridge provides data summarizing the information on employee engagement at a department level. Mr. Ridge committed to present additional information at an upcoming board meeting to include showing the variance of results across departments as well as selecting one department to take a deeper dive, that has additional actions as a result of the survey results and have that manager present their plans to address the results.

MOTION 2016-4

Committee Chair Sheldon moved that the Executive Board of Energy Northwest approve the Energy Northwest Fiscal Year 2017 through 2019 Strategic Plan with the revisions as discussed at the April 28, 2016 Executive Board meeting. Ms. Kathy Vaughn seconded. MOTION CARRIED.

Regional Meeting Updates

Public Power Council

Mr. Jack Janda provided a briefing from the March Public Power Council meeting. Discussion ensued with staff taking an action to request a guest presenter (possibly at the August workshop) to discuss the current energy market. Consider BPA as a possible presenter.

Committee Chair Sheldon provided a briefing from the April Public Power Council meeting.

Northwest Power and Conservation Council

Committee Chair Sheldon provided a briefing from the last Northwest Power and Conservation Council meeting.

Washington Public Utility Districts Association

Committee Chair Sheldon provided a briefing from the last WPUDA meeting.

The meeting recessed for a break at 10:02 a.m.; the meeting reconvened at 10:20 a.m.

NoaNet

Mr. Will Purser provided a briefing from the recent NoaNet meeting.

IHS CERA

Mr. Janda and Mr. Ridge provided an overview of the IHS Energy CERAWEEK conference.

Seminar Group – PNW Timberlands Management

Committee Chair Sheldon provided a briefing from the Timberlands Management conference.

Clean Tech Alliance Breakfast

Mr. Marc Daudon and Ms. Kathy Vaughn provided an overview of their attendance at the CleanTech Alliance breakfast.

Climate Leadership Conference

Mr. Daudon provided an overview of his recent trip to the Climate Leadership Conference.

APPA Legislative Rally

Ms. Vaughn provided an overview of her recent trip to the APPA Legislative Rally.

i-Sustain Follow-up Meeting

Ms. Vaughn provided an overview of the follow-up meeting for i-Sustain.

Cyber Security Meeting

Ms. Vaughn provided an overview of the Cyber Security meeting.

Understanding Financial Statements

Ms. Vaughn provided an overview of the Understanding Financial Statements meeting.

Commitment Review/Provide Majority-based Direction

The following new commitments were added:

- After feedback from the board, Mr. Ridge took the action to assess the color of performance indicators and how they reflect and paint an overall picture of reality versus perception versus meeting/completing strategic initiatives in the plan.
- Incorporate feedback to the FY17-19 Strategic Plan as provided and discussed by the board – Angela Smith
 - Include stronger language regarding employee engagement in the Message from the CEO
 - Add safety goals for ESD to Safety First and Services & Operating Excellence focus areas
 - Assess ESD focus areas performance indicators and strategic initiatives to include what the desired end result is (not only completing actions, but what does EN want to achieve by taking such actions)
 - Define ESD objectives
 - Ensure ESD focus area call out general manager advisory meeting in the strategic initiatives
 - Update individual fiscal year measures of excellence goals in Nuclear Excellence regarding top quartile – instead list the specific goal for that fiscal year
 - Add a challenge to excellence regarding Human Performance to Nuclear Excellence
 - Ensure measures (performance indicators) and strategic initiatives reflect/link to the at-risk compensation targets
- Update the boards when the path forward regarding the latest demand response initiative is known (pilot versus commercial). In addition to a potential email update, staff will present at an upcoming board meeting – Brad Sawatzke
- Send the board Tier 1 BPA cost and projections document as referenced during the March board meeting – Angela Smith
- Coordinate a guest presenter (possibly at the August workshop) to provide an update on the current energy imbalance market. Consider BPA as a possible presenter – Angela Smith
- Provide instructions on accessing documents in BoardDocs – Angela Smith
- Create area on BoardDocs to post information requested during recent board meetings; provide instructions to board members and how to access – Angela Smith
- Allow for further discussion during the August workshop on how fiscal year goals are reflected, such as interim milestones that leads the agency towards the ultimate goal – Brent Ridge
- Present additional information regarding employee engagement results at an upcoming board meeting to include showing the variance of results across departments as well as selecting one department to take a deeper dive, that has additional actions as a result of

the survey results and have that manager present their plans to address the results – Brent Ridge

Audit, Legal & Finance Committee Reports

Information Agenda Items

Committee Chair Kathy Vaughn welcomed the Executive Board to the Audit, Legal and Finance Committee and directed members to review the Cost Report on BoardDocs.

State Auditor's Office – Exit Conference

Mr. Don Werner, audit lead, presented the State Auditor's Office exit conference. Key points included: overview of the financial statement audit and accountability audits (payroll, procurement, debt covenants, cost allocation plan, revenue leases, billing for non-power revenues, investments and general disbursements). The audits had no findings for the 17th year as well as no recommendations.

Business Continuity Audit

Ms. Christine Fitzgerald and Mr. Torin Larsen from Protiviti presented the Business Continuity Audit results. Key points included: scope and approach; key takeaways; and results. Results are broken into categories of low, medium and high observation ratings. For this audit, ratings reflect medium and low observations.

Management Response – Business Continuity Audit

Mr. Dean Kovacs, Chief Information Officer, presented the management response to the Business Continuity Audit results. Key points included: management agrees with the assessment and developed specific action plans to address each observation; and Protiviti reviewed and agreed with the agency's actions. For each observation, Mr. Kovacs discussed the response, owner and due date for actions.

Auditor Selection Status

Ms. Cristina Reyff, Business Planning & Risk manager, presented the status of the auditor selection. Key points included: background of the administrative auditor contract; request for proposal approach, targets and responses; response analysis; staff recommendation; and next steps.

The meeting recessed at 12:28 p.m. to get lunch (for a working lunch); the meeting reconvened at 12:38 p.m.

Regional Cooperation Debt Support

Mr. Jon Dull, Treasury manager, Bonneville Power Administration, presented the regional cooperation debt support. Key points included: the rate process, BPA's proposal for an additional \$972 million of support from the EN Executive Board, allowing the regional cooperation debt initiative to continue through 2020; and a proposal to obtain up to \$827 million in additional lines of credit to fund EN's O&M and interest expense needs, allowing regional cooperation debt transactions through 2020 to be accelerated. Further details included interest rates; completed transactions; current support; support overview; request; and summary.

Regional Cooperation Debt Support

Mr. Ridge presented staff's view on the regional cooperation debt support. Key points included: background of regional cooperation debt; continue acceleration with lines of credit; look ahead; and staff's view.

Quarterly Cost Review

Mr. Kent Dittmer, Asset manager / controller, presented Columbia's quarterly costs. Key points included: Columbia was under budget by 3.33 percent at the end of the third quarter in Fiscal 2016; Columbia's cost of power; and specifics of the O&M and capital fiscal year-to-date budgets.

Mr. Jeff Windham, Treasury/Budget supervisor, presented Energy Services & Development's quarterly costs. Key points included: Packwood is currently under budget; Nine Canyon is under budget for O&M and exceeded the expected generation budget; and actual margin for business development is better than what was budgeted.

Fiscal Year 2017 Budget Approval

Resolution 1875

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1875 A resolution approving and adopting Energy Northwest Nuclear Project No. 1 annual budget for Fiscal Year 2017. Seconded by Ms. Linda Gott.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1875, UNANIMOUSLY ADOPTED.

Resolution 1876

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1876 A resolution approving and adopting Energy Northwest annual operating budget for Fiscal Year 2017 for Columbia Generating Station. Seconded by Mr. Jack Janda.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1876, UNANIMOUSLY ADOPTED.

Resolution 1877

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1877 A resolution approving and adopting Energy Northwest Nuclear Project No. 3 annual budget for Fiscal Year 2017. Seconded by Mr. Will Purser.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1877, UNANIMOUSLY ADOPTED.

Resolution 1878

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1878 A resolution approving and adopting Energy Northwest

annual operating budget for Fiscal Year 2017 for the Packwood Lake Hydroelectric Project. Seconded by Mr. Jim Moss.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1878, UNANIMOUSLY ADOPTED.

Resolution 1879

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1879 A resolution approving and adopting Energy Northwest annual operating budget for Fiscal Year 2017 for the Nine Canyon Wind Project. Seconded by Mr. Will Purser.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1879, UNANIMOUSLY ADOPTED.

Resolution 1880

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1880 A resolution approving and adopting Energy Northwest business development fund annual budget for Fiscal Year 2017. Seconded by Ms. Linda Gott.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1880, UNANIMOUSLY ADOPTED.

Resolution 1881

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1881 A resolution approving and adopting the general business unit budget, Fiscal Year 2017 for Energy Northwest. Seconded by Mr. Jack Janda.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1881, UNANIMOUSLY ADOPTED.

Budget Amendments

Mr. Windham presented the proposed budget amendments. Key points included: background of the drivers behind the budget amendments; amendment highlights; funding requirements; and staff's recommendation.

Resolution 1882

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1882 A resolution approving and adopting Energy Northwest second amended Nuclear Project 1 annual budget for Fiscal Year 2016. Seconded by Mr. Marc Daudon.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1882, UNANIMOUSLY ADOPTED.

Resolution 1883

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1883 A resolution approving and adopting Energy Northwest second amended annual operating budget for Fiscal Year 2016 for Columbia Generating Station. Seconded by Mr. Skip Orser.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1883, UNANIMOUSLY ADOPTED.

Resolution 1884

Committee Chair Kathy Vaughn moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1884 A resolution approving and adopting Energy Northwest second amended Nuclear Project 3 annual budget for Fiscal Year 2016. Seconded by Mr. Jack Janda.

Chair Morrison opened the floor for discussion; hearing none, he called for the question. EXECUTIVE BOARD RESOLUTION NO. 1884, UNANIMOUSLY ADOPTED.

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 Regular Executive Board Meeting will be held at the Embassy Suites – Downtown Portland on June 22 – 23, 2016.

Additionally, the board discussed holding a meeting in May to receive the final phase one report from Pillsbury. The meeting will tentatively be held on either May 25 or 26 near SeaTac.

BPA Report

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

Meeting critique

Mr. Daudon provided the Executive Board meeting critique for the month of April.

Hearing no further discussion, Chair Morrison adjourned the meeting at 1:59 p.m.

Respectfully submitted by,

Angela Smith
Board Relations