

**Minutes of the
Energy Northwest
Regular Executive Board Meeting
Lacey Conference Center – Horizon Room
975 Carpenter Rd NE
Lacey, Wash.
Jan. 27 – 28, 2016**

Chair Sid Morrison called the regular meeting of the Executive Board of Energy Northwest to order at 1:33 p.m. on Jan. 27, 2016 in the Horizon Room of the Lacey Conference Center in Lacey, Wash. There was a quorum present. An environmental analysis of the Jan. 27 – 28, 2016, 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	Present
Jack Janda, Vice Chair	Present
Lori Sanders, Secretary	Present
Dave Remington, Assistant Secretary	Present
Marc Daudon	Present
Linda Gott	Present
Jim Moss	Present (Wednesday only)
Skip Orser	Present
Will Purser	Present
Tim Sheldon	Present
Kathy Vaughn	Present

Others Present:

Both Days: Board of Directors Members – Terry Brewer, Carnan Bergren, Barney Burke, Steve Houston, Curt Knapp, Jim Malinowski, Ned Piper, Chuck TenPas and Diana Thompson; Participants Review Board members – Susan Thraen, Karl Denison, Stu Nelson and Mike Swanson; Reese Government Relations – Shirley Reese; Rowland Co. – Jim Rowland; PSAV – Kevin Millen; and Bonneville Power Administration – Larry Felton and Cherie Sonoda.

Wednesday Only: Board of Directors Members – Arie Callaghan, Liz Green, Bob Hammond and Judy Ridge; Bonneville Power Administration – Wayne Todd.

Thursday Only: Public Financial Management – Mike Mace; Benton PUD – Chad Bartram and Karen Miller; Inland Power & Light – John Francisco; Washington Business Alliance – Isaac Kastama; PNGC Power – Greg Mendonca; Northwest Renewable Utilities – John Saven; Public Power Council – Kevin O'Meara; Bonneville Power Administration – Jon Dull, Anna-Lisa Miller, Nancy Mitman and Alex Roth; Foster Pepper – Stacie Amasak and Nancy Neraas.

Staff Present:

Both Days: Mark Reddemann; Brent Ridge; Brad Sawatzke; Bob Dutton; Jim Gaston; Mike Paoli; Dave Briggs; Carla Martinez; and Angela Smith.

Wednesday Only: Steve Lorence.

Thursday Only: John Irvan and Jeff Windham.

Regular Executive Board Meeting

Comments from Members of the Public

Nancy Newell of Oregon Green Energy Coalition provided comments as a member of the public. Comments focused on long term solution for nuclear waste; conditions of water and salmon; and a recommendation for senior management to work with the Union of Concerned Scientists.

Mr. Chuck Johnson of Oregon and Washington Physicians for Social Responsibility provided comments as a member of the public. Comments focused on the issue of fuel defects and the cause; and Senate Bill 6256.

Approval of Minutes

The following meeting minutes were presented for approval:

- Regular Executive Board Meeting – Dec. 16 – 17, 2015

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

Nuclear Oversight & Safety Committee Reports

Committee Chair Skip Orser and Ms. Lori Sanders reviewed the commitments from the Nuclear Oversight and Safety Committee as captured in the Joint Executive Board and Board of Directors meeting during the CNO Report.

NOS Commitment:

- Look into the training of dose champions, above and beyond the normal training – Brad Sawatzke
- Improve rolling averages and year-to-date forecast on key performance indicators – Brad Sawatzke

Administrative, Energy & Member Services Committee Reports

Information Agenda Items

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

August Workshop

Ms. Carla Martinez, Public Affairs supervisor, proposed Suncadia as the August Executive Board workshop location, with a plan to move forward with securing this location. Committee Chair Sheldon agreed and asked if the board had alternative recommendations, to let him know.

Regional Meeting Updates**Public Power Council**

Committee Chair Sheldon and Mr. Jack Janda provided a briefing from the last 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 District Association

Committee Chair Sheldon provided a briefing from the last WPUDA meeting. Mr. Will Purser said he recommended to George Caan to provide the presentation he gave at the December meeting to others including at a WPUDA meeting. Mr. Janda also provided comments.

NoaNet

Mr. Will Purser had no report for NoaNet as there was no January meeting.

Navigating Legal Implications of Power Industry Regulations Conference

Ms. Linda Gott provided an overview of her recent trip to the Navigating Legal Implications of Power Industry Regulations Conference including the various sessions she attended and the key takeaways.

APPA Joint Action Workshop

Ms. Lori Sanders provided an overview of her recent trip to the APPA Joint Action Workshop. Additionally she referenced a handout on services other joint action agency's offer. Discussion ensued.

Washington's Energy Future Conference

Mr. Marc Daudon provided an overview of his recent trip to the Washington's Energy Future Conference and the various sessions he attended.

Compensation Subcommittee Charter Recommendations

Mr. Steve Lorence, Human Resources manager, reminded the board of the role of the Compensation Subcommittee. Key highlights included: to support the Executive Board as it relates to the compensation of EN's executive officers; oversee and advise the Executive Board as needed regarding EN's compensation programs; and provide governance as required by the State Auditor rules. Additionally: annually review the Executive Compensation Policy; assist the EB in the annual performance review of the CEO and executive officers and provide recommendations on total compensation packages for the CEO and executive officers;

assist the EB with executive employment agreements and perquisites; assist the EB with incentive plans and annually review plan goals and results; and that the subcommittee is recommending minor changes to the charter to better clarify the subcommittee's responsibilities.

Committee Chair Tim Sheldon moved that the Executive Board adopt the revisions to the Executive Board's Compensation Subcommittee's Charter as described and discussed during an open public meeting on Jan. 27, 2016. Mr. Skip Orser seconded. MOTION CARRIED.

Legislative Update

Ms. Shirley Reese, Reese Government Relations and Mr. Jim Rowland, Rowland Co. provided a legislative update. Four bills regarding nuclear power were introduced this year and all four have been heard in committee.

Committee Chair Sheldon provided additional updates.

Strategic Plan Quarterly Update & FY17 Draft Review

Mr. Brent Ridge, vice president of Corporate Servicers and Chief Financial/Risk Officer, presented the quarterly update for strategic planning. Key points included: High level Fiscal Year 2016 performance indicators for each of the Focus Areas and a detailed review of two Focus Areas including Safety First and Nuclear Excellence. Mr. Ridge also reviewed the draft Fiscal Year 17 – 19 Strategic Plan and obtained feedback from the board to be addressed and incorporated by staff.

Meeting recessed at 4 p.m.

Chair Morrison reconvened the Executive Board at 9:02 a.m. on Jan. 28, 2016.

Administrative, Energy & Member Services Committee Reports

Executive Board Engagement

Mr. Ridge presented Executive Board engagement data from 2009 through December 2015. The board agreed to continue tracking board engagement semi-annually as represented in the graph provided.

Carbon Reduction Utility Group Briefing

Mr. Isaac Kastama, director of Government Affairs at Washington Business Alliance, presented low carbon prosperity. Key points included: business alliance background; technology enabled market strategy; electric sector group; and collaborating on solutions. Board and member discussion ensued.

Commitment Review/Provide Majority-based Direction

No new commitments were added.

Audit, Legal & Finance Committee Reports

Information Agenda Items

Committee Chair Vaughn welcomed the Executive Board to the Audit, Legal and Finance Committee.

Quarterly Cost Reviews

Mr. Ridge presented Columbia's quarterly cost reviews. Key highlights included: Columbia was under budget the first half of the fiscal year in both Operations & Maintenance and Capital costs; and a review of the current cost of power.

Mr. Jeff Windham, Treasury and Budgets supervisor, presented Energy Services and Development quarterly cost reviews. Key highlights included: Packwood and Nine Canyon O&M costs under budget; generation under budget for Packwood and exceeded budget for Nine Canyon; and the business development margin for Business Services, Demand Response, Tieton and continued investment into solar and energy storage.

Committee Chair Vaughn recessed the meeting for a break at 10:14 a.m.; and reconvened at 10:30 a.m.

BPA Annual Regional Cooperation Debt Update

Ms. Anna-Lisa Miller from the Bonneville Power Administration presented the regional cooperation debt update. Key highlights included: rate setting and capital review process; historical BPA power rates and spending levels; future spending plans; process for controlling spending levels; long-term focus; access and sources of Capital; cost recovery; regional cooperation debt and borrowing authority; operation and financial information; and debt management.

2016A/B Bond Transactions

Mr. Windham presented the latest bond transaction. Key highlights included: an overview of the 2016A/B Series Bonds; transaction purpose being regional cooperation debt extension; transaction summary; key parameters and delegation limits for Project 1, Columbia and Project 3; and recommendation for approval.

RESOLUTION NO. 1866

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1866 – a supplemental resolution authorizing the issuance of Energy Northwest Project 1 electric revenue refunding bonds, Series 2016-A and electric revenue refunding bonds, Series 2016-B (taxable). Ms. Lori Sanders seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1866 UNANIMOUSLY ADOPTED.

RESOLUTION NO. 1867

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1867 – a supplemental resolution authorizing the issuance of Energy Northwest Columbia Generating Station electric revenue refunding bonds, Series 2016-A and electric revenue refunding bonds, Series 2016-B (taxable). Mr. Jack Janda seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1867 UNANIMOUSLY ADOPTED.

RESOLUTION NO. 1868

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1868 – a supplemental resolution authorizing the issuance of Energy Northwest Project 3 electric revenue refunding bonds, Series 2016-A and electric revenue refunding bonds, Series 2016-B (taxable). Ms. Linda Gott seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1868 UNANIMOUSLY ADOPTED.

Federal Appropriations Repayment Acceleration Background

Mr. Ridge and Mr. Mike Mace of Public Financial Management presented background of the federal appropriations repayment acceleration. Key highlights included: September 2015 EB presentation to have BPA issue short term Treasury Bonds to accelerate the payment of high rate federal debt; BPA encouraged by the US Treasury to find other sources of funds for acceleration of the high rate federal debt; EN short-term lines of credit as one source to free up monies that BPA could utilize to accelerate the payment of the high rate federal debt result in significant savings; and EN's debt principle.

Discussion ensued on the debt principle language.

Committee Chair Vaughn recessed for lunch at 12:09 p.m.; the meeting reconvened at 12:40 p.m.

Messrs. Reddemann, Ridge and Morrison presented retirement plaques to Mr. John Saven of the Northwest Requirements Utilities and Ms. Nancy Mitman of the Bonneville Power Administration.

Federal Appropriations Repayment Acceleration Ideas

Ms. Mitman from the Bonneville Power Administration, presented ideas for the federal appropriations repayment acceleration. Key highlights included: BPA has been looking for a way to raise short-term cash to accelerate the regional cooperation debt federal payments to capture additional savings; the alternative funding source could be a \$300 million line of credit to fund EN's 2016, and a portion of the 2017, O&M and interest expense needs which could

generate up to \$19 million in additional interest expense savings; and if the line of credit plan is repeated in future years, could generate up to \$91 million.

Federal Appropriations Repayment Acceleration – EN Staff View

Mr. Ridge presented staff's view of the opportunities for the federal appropriations repayment acceleration.

Discussion and perspectives ensued from the Executive Board; Board of Directors; Participants Review Board; BPA; NRU; PNGC Power; and PPC.

Key highlights included: outreach conducted; a review of alignment with debt principles; staff's view and recommendation; a review of the net billed project lines of credit; Well's Fargo lines of credit; and next steps.

Further discussion ensued on the debt principle language with agreement to modify the principle to read, "Within the normal course of business, sustain no debt financing of system Operations & Maintenance expenditures, unless otherwise determined by the Executive Board".

Discussion ensued on whether EN's bond rating would decrease. Messrs. John Irvan and Jeff Windham committed to review the pricing on Moody's downgrade.

RESOLUTION NO. 1869

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1869 – a resolution of the Executive Board of Energy Northwest authorizing a loan agreement with Wells Fargo Bank, N.A., establishing a line of credit to provide interim financing for a portion of debt service on certain outstanding Project 1 revenue bonds; and authorizing the issuance of an electric revenue bond anticipation note in the principal amount of not to exceed \$23,000,000 to evidence and secure Energy Northwest's obligations under the loan agreement. Mr. Dave Remington seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1869 UNANIMOUSLY ADOPTED.

RESOLUTION NO. 1870

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1870 – a resolution of the Executive Board of Energy Northwest authorizing a loan agreement with Wells Fargo Bank, N.A., establishing a line of credit to provide interim financing for operations and maintenance expenses of the Columbia Generating Station revenue bonds; and authorizing the issuance of an electric revenue bond anticipation note in the principal amount of not to exceed \$251,000,000 to evidence and secure Energy Northwest's obligations under the loan agreement. Mr. Marc Daudon seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1870 UNANIMOUSLY ADOPTED.

RESOLUTION NO. 1871

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1871 – a resolution of the Executive Board of Energy Northwest authorizing a loan agreement with Wells Fargo Bank, N.A., establishing a line of credit to provide interim financing for a portion of debt service on certain outstanding Project 3 revenue bonds; and authorizing the issuance of an electric revenue bond anticipation note in the principal amount of not to exceed \$26,000,000 to evidence and secure Energy Northwest's obligations under the loan agreement. Mr. Dave Remington seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1871 UNANIMOUSLY ADOPTED.

Other Business

Committee Chair Vaughn recommended the board have a February and May meeting to further discuss the employee letters and actions being taken.

Discussion ensued amongst board members regarding a February meeting.

Ms. Lori Sanders moved for the NOS committee to meet in approximately four weeks. Ms. Linda Gott seconded.

Further discussion ensued.

The motion was amended to have the meeting sometime in February and as a full board meeting. MOTION CARRIED.

Mr. Reddemann asked for guidance on what the board would like to see on the agenda. The board agreed nothing for staff to prepare, but rather their ability to discuss the issues at hand and progress of the ad hoc committee.

The board agreed to have the meeting on February 24 starting at 9 a.m.

Commitment Review/Provide Majority-based Direction

- Modify language to debt principle: Within the normal course of business, sustain no debt financing of system Operations & Maintenance expenditures, unless otherwise determined by the Executive Board (this will need to be brought back to the EB for official approval) – Angela Smith
- Review the pricing on Moody's downgrade – John Irvan & Jeff Windham

Regular Executive Board Meeting *(cont'd)*

Upcoming Meetings

Chair Morrison reminded the board that the March Budget Workshop and Executive Board meeting will be on March 22 – 24, 2016 at the Holiday Inn Express, Pasco, Wash.

Other Business

None.

BPA Report

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

Meeting critique

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

Staff Announcements

None.

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

Respectfully submitted by,

Angela Smith
Board Relations