

**Minutes of the
Energy Northwest
Regular Executive Board Meeting
Multi-Purpose Facility
Glenn C. Walkley Room
3000 George Washington Way
Richland, Wash.
June 22 – 23, 2016**

Chair Sid Morrison called the regular meeting of the Executive Board of Energy Northwest to order at 7:31 a.m. on June 22, 2016 in the Glenn C. Walkley Room of Energy Northwest's Multi-Purpose Facility in Richland, Wash. There was a quorum present. An environmental analysis 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 (Wednesday only)
Linda Gott	Absent
Jim Moss	Present
Skip Orser	Present
Will Purser	Present
Tim Sheldon	Present
Kathy Vaughn	Present (via teleconference – Wednesday only)

Others Present:

Both days: Board of Directors members – Terry Brewer, Steve Houston and Jim Malinowski; Participants Review Board member – Karl Denison; Bonneville Power Administration – Larry Felton and Phil Smith; PSAV – Blaine Johnson.

Wednesday only: Pillsbury Winthrop Shaw Pittman– Jeff Merrifield, Daryl Shapiro and Tim Walsh; Washington/Oregon Physicians for Social Responsibility – Chuck Johnson; and Tri-City Herald – Wendy Culverwell.

Thursday only: Baker Tilly – Russ Hissom (via teleconference); Protiviti – Christine Fitzgerald and Joel Hammer; Hyas Group – Tom Breaden and Brian Loescher; and Bonneville Power Administration – Alex Roth.

Staff Present:

Both days: Mark Reddemann; Brad Sawatzke; Brent Ridge; Bob Dutton; Jim Gaston; Dave Briggs; Carla Martinez; Angela Smith; and Vicki Watilo.

Wednesday only: Grover Hettel; Alex Javorik; Andy Black; Glenn Pierce; Greg Sponholtz; and Cindy Way.

Thursday only: Kent Dittmer; Johnathan Hicks; John Irvan; Karen Kessler; Cristina Reyff; and Jeff Smith.

Regular Executive Board Meeting

Executive Session

Chair Morrison called a one and one-half hour executive session beginning at 7:31 a.m. in accordance with RCW 42.30.110 (1) (f):

To receive and evaluate complaints or charges brought against a public officer or employee.

The executive session was extended by one hour at 9 a.m.

The executive session was extended by 15 minutes at 10 a.m.

The executive session was extended by 10 minutes at 10:15 a.m.

The executive session was extended by 10 minutes at 10:25 a.m.

The meeting reconvened as an open public meeting at 10:35 a.m.

The meeting recessed for a break at 10:35 a.m.; and reconvened at 10:40 a.m.

Mr. Jim Gaston led the group in the Pledge of Allegiance.

Approval of Minutes

The following meeting minutes were presented for approval:

- Executive Board Meeting – May 25, 2016
- EB/BOD Joint Board Meeting – April 27, 2016
- Executive Board Meeting – April 27 – 28, 2016

Mr. Jack Janda moved that the minutes be approved. Mr. Skip Orser seconded. MOTION CARRIED

Mr. Tim Sheldon was assigned to be the meeting critique.

Public Comments

Washington / Oregon Physicians for Social Responsibility, Chuck Johnson, provided brief comments.

Independent Investigation Phase 2 Update

Mr. Daryl Shapiro, Pillsbury, provided an update regarding the Phase 2 independent investigation. Key highlights included: Pillsbury was retained by the Executive Board to conduct a Phase 2 investigation; Pillsbury has assembled data provided by the Utilities Service Alliance nuclear safety culture assessment and determined its validity; Pillsbury confirmed the USA data was very reliable; additionally, Pillsbury conducted more than 200 interviews; they

are finishing interviews this week. Pillsbury will begin assessing the data and will brief the Executive Board during the July meeting.

Independent Investigation Phase 1 Briefing

Mr. Shapiro reviewed the phase 1 allegations, findings and recommendations.

Comments from the Nuclear Oversight and Safety Committee Chair

Mr. Skip Orser shared that subsequent to Pillsbury being hired for the investigation some board members received a fifth letter which contains further allegations. The board will not retain Pillsbury to investigate the fifth letter. The matter will be assigned to an appropriate board committee for disposition at a future meeting.

Comments from the Executive Board Chair

Chair Morrison shared his appreciation to Mr. Orser; Mr. Jim Moss and Ms. Linda Gott for serving on the Ad Hoc Subcommittee.

He also thanked Pillsbury for their work.

Mr. Jeff Merrifield, Pillsbury, shared that the Executive Board has used a questioning attitude.

Chair Morrison asked Pillsbury if there was anything in their findings that raised concerns about nuclear safety.

Mr. Merrifield responded no.

Investigation Action(s)

Mr. Orser moved by the Ad Hoc Subcommittee, that the Executive Board, having received the report, hereby makes it available to the public as presented by the law firm of Pillsbury Winthrop Shaw Pittman, LLP to the Executive Board on June 22, 2016, for Phase I of the Investigation being conducted at the direction of the Executive Board addressing factual allegations presented to the Executive Board in four anonymous letters. The Executive Board directed that Pillsbury prepare a non-privileged report of investigation of its findings and recommendations. By making available to the public the final report of investigation, to the extent permitted by applicable law, the Executive Board expressly does not waive the attorney-client privilege and/or the attorney work product doctrine as to any drafts of the report, comments to any draft of the report, to the working papers, interviews notes and all other documents associated with the final report and the Investigation, to discussions between Pillsbury and members of the Executive Board, the Board of Directors, and the Participants Review Board regarding the investigation and the report, and further, does not waive the privilege associated with the executive sessions conducted by the Executive Board associated with the Investigation or the release of the report. Ms. Lori Sanders seconded. MOTION CARRIED.

Chair Morrison stated that the board has taken this very seriously and are eager to move on to the corrective action plans to deal with the findings.

Mr. Orser thanked the board on behalf of the subcommittee for their engagement and patience. He also thanked the Board of Directors and Participants Review Board for their interest.

The meeting recessed for lunch at 11:29 a.m.; and reconvened at 12:29 p.m.

Chief Executive Officer Report

Mr. Mark Reddemann, Chief Executive Officer, presented the CEO Report. Key highlights included: comments relating to Pillsbury’s public presentation regarding the Phase 1 briefing; Seattle City Council resolution; recent all-employee meetings; Portland hydro project; Horn Rapids initiative; the Electric Vehicle Infrastructure Alliance; Enloe Dam; Industrial Development Complex root cause; Idaho National Lab visit; the American Public Power Association’s national conference; the Nuclear Energy Institute’s executive committee; and asset performance.

Mr. Reddemann wrapped up by addressing several questions from Executive Board members.

Regarding the Seattle City Council resolution, Mr. Steve Houston commented that Okanogan Public Utility District would be willing to trade their share of the Nine Canyon Wind Project for Seattle’s share in Columbia Generating Station.

Several other board members indicated their interest as well.

Hearing no further 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. Brad Sawatzke, Chief Operating Officer and Chief Nuclear Officer.

Chief Nuclear Officer Report

Mr. Sawatzke presented the CNO Report. Key points included: plant status; regulatory update; industry operating experience; significant plant work; Columbia performance indicators; upcoming events; and delivering the nuclear promise update. Discussion ensued.

Mr. Dave Remington recommended when assessing what to report on to consider including the criteria from the at-risk compensation plan.

The meeting recessed at 1:42 p.m. for a break; the meeting reconvened at 2 p.m.

Outage Valve Scope Update

Mr. Alex Javorik, vice president for Engineering, presented the outage valve scope update. Key highlights included: Columbia valve types; valve scope strategy; outage costs; outage scope; and plant impact.

Hardened Vent

Mr. Greg Sponholtz, Supply Chain Services manager, presented the action for the hardened vent project. Key highlights included: background on the requirement for a hardened containment vent system; security and compliance concerns; procurement plan; and recommendation.

Resolution 1886

Committee Chair Orser moved that the Executive Board approve EXECUTIVE BOARD RESOLUTION NO. 1886 A resolution authorizing the waiver of public works bidding requirement – 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. 1886, UNANIMOUSLY ADOPTED.

Other Business

Discussion ensued on whether management has adequately reviewed the Senior Reactor Operator failures and recommendations. The board requested staff present at the July meeting on the organization’s review and effectiveness of the corrective actions that were put in place.

NOS Committee Chair Orser moved that the chair assign the review of the fifth anonymous letter to the NOS committee for action, for further investigation by management and report back to the board at the next meeting. Ms. Lori Sanders seconded. MOTION CARRIED.

Chair Morrison shared that based on what they learn from the July report out of management’s overview, the board will then further decide what to do.

Mr. Jack Janda shared an option to consider is to use the administrative auditor.

Commitment Review/Provide Majority-based Direction

The following new commitment was added:

- Presentation on the corrective actions and assessment of their effectiveness regarding the Senior Reactor Operator exam failures root cause analysis.

Hearing no additional questions or comments, Committee Chair Orser turned the meeting back to Chair Morrison who turned the meeting over to Mr. Tim Sheldon.

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.

Regional Meetings – Trip Reports

Public Power Council: Committee Chair Sheldon and Mr. Jack Janda provided comments on recent interactions with the Public Power Council.

Northwest Power and Conservation Council: Committee Chair Sheldon provided an update on the recent NWPCC meeting.

NoaNet: Mr. Will Purser provided an update from the last NoaNet meeting.

American Public Power Association: Ms. Kathy Vaughn provided an overview of the sessions she attended at the national conference.

Clean Energy Ministerial: Mr. Marc Daudon shared his experience at the Clean Energy Ministerial.

Compensation Subcommittee Recommendations

Mr. Brent Ridge, vice president for Corporate Services and Chief Financial/Risk Officer, and Mr. Dave Remington, Compensation Subcommittee chair, presented the Compensation Subcommittee's Fiscal Year 2017 At-Risk Compensation and Long Term Incentive programs. Key highlights included: why incenting employees is important; what is not changing in the ARC; the subcommittee's recommendations for Columbia Generating Station and Energy Service & Development ARC; new criteria in Columbia's plan; FY17 forecasts based on prior performance; the subcommittee's recommendations for the FY17 Long Term Incentive Plan; and the FY17 forecast based on prior performance.

Motion 2016-2

Subcommittee Chair Remington moved that the Executive Board approve the Fiscal Year 2017 At-Risk Compensation Plan, as discussed during the June 22, 2016, Executive Board meeting. Seconded by Mr. Orser. MOTION CARRIED.

Motion 2016-3

Subcommittee Chair Remington moved that the Executive Board approve the Fiscal Year 2017 Long Term Incentive Plan, as discussed during the June 22, 2016, Executive Board meeting. Seconded by Mr. Orser. MOTION CARRIED.

The meeting recessed at 4:15 p.m. for the evening.

Regular Executive Board Meeting *cont'd*

The regular Executive Board meeting reconvened at 8 a.m. on Thursday, June 23, 2016 by Executive Board Chair Sid Morrison who immediately turned the meeting over to Mr. Tim Sheldon to continue AEM committee reports.

Administrative, Energy & Member Services Committee Reports *cont'd*

With Mr. Dave Remington's pending term expiration, Chair Morrison shared that the Compensation Subcommittee will be chaired by Mr. Marc Daudon.

Chair Morrison requested a tutorial of at risk compensation for the full Executive Board.

Mr. Remington offered to present the tutorial to the board at the July meeting.

Enloe Dam Powerhouse Update

Mr. Jim Gaston, general manager for Energy Services and Development, provided an update of the Enloe Dam Powerhouse. Key highlights included: current status; decisions since the last update; Okanogan Public Utility District and Energy Northwest's strategy; continuing challenges; and next steps.

Mr. Ridge provided insights to some of the risks for moving forward. Discussion ensued.

Washington Initiative Process

Mr. Bob Dutton, general counsel and Chief Ethics Officer, presented the initiative process in Washington state. Key highlights included: the process in the state; role of public agencies in the initiative process; limitations on legislative activities; restrictions; the Public Disclosure Commission; consequences for violations; and current initiatives.

The board requested Mr. Dutton provides guidelines for what board members are allowed to do in relation to the initiative process.

Education and Development Opportunities

Ms. Carla Martinez, Public Affairs assistant manager, shared current education/engagement opportunities.

Commitment Review/Provide Majority-based Direction

The following new commitments were added:

- Present an At-Risk Compensation tutorial to the Executive Board – Dave Remington
- Provide guidelines / tutorial for what board members are allowed to do in relation to the initiative process – Bob Dutton – Future EB meeting

Hearing no additional questions or comments, Committee Chair Sheldon turned the meeting over to Chair Morrison who turned the meeting over to Mr. Janda.

Audit, Legal & Finance Committee Reports

Acting Committee Chair Jack Janda opened the Audit, Legal and Finance Committee and reminded members to view the monthly cost reports on BoardDocs.

Alternative Concerns Program

Mr. Dutton presented background information on alternative concerns programs followed by a discussion of the board desire. Key points included: background; foundational issues in the formation of alternative concerns programs; and process questions. Discussion ensued.

The board agreed to have further discussion on this topic at the briefing of phase 2 of the investigation during the July meeting. Additionally, using information presented and discussed during the corrective action presentation at the July meeting, staff committed to provide a draft policy / guidelines for the board to consider at the August workshop.

The meeting recessed for a break at 10:23 a.m.; and reconvened at 10:35 a.m.

Executive Session

Chair Morrison called a 30-minute executive session beginning at 10:35 a.m. in accordance with RCW 42.30.110 (1) (i):

To discuss with legal counsel representing the agency matters relating to agency enforcement actions, or to discuss with legal counsel representing the agency litigation or potential litigation to which the agency, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency.

The executive session was extended by 2 minutes at 11:05 a.m.

The executive session was extended by 2 minutes at 11:07 a.m.

The meeting reconvened as an open public meeting at 11:09 a.m.

Settlement**Motion 2016-9**

Acting Committee Chair Jack Janda moved to approve Motion 2016-9: It is moved that the Executive Board ratify the settlement entered into between Energy Northwest and Bechtel Power Corporation whereby Energy Northwest will pay Bechtel Power Corporation the sum of \$2,400,000.00 in exchange for a complete and final release from Bechtel Power Corporation of all claims against Energy Northwest arising out of or relating to the Hardened Containment Vent project for Columbia Generating Station. Seconded by Mr. Jim Moss. MOTION CARRIED.

Supplemental Personnel Audit Results

Ms. Christine Fitzgerald, Protiviti, presented the supplemental personnel audit results. Key points included: overview of the audit scope and approach; key takeaways stating that EN has adequate processes in place to govern the management of supplemental personnel, however, opportunities exist to further strengthen; and a review of the observations which were all rated as low or medium.

Management Response – Supplemental Personnel Audit

Mr. Sawatzke presented management's response to the supplemental personnel audit. Key points included: management agrees with the assessment; specific action plans have been developed to address each of the observations; and Protiviti reviewed and agreed with the agency's actions.

FY16 Audit Results and FY17 Audit Plan

Mr. Joel Hammer, Protiviti, and Ms. Cristina Reyff, Business Planning & Risk manager, presented the FY16 audit results and FY17 audit plan. Key points included: summary of all the FY16 administrative audits, FY16 corporate internal audits and FY16 internal control assessments conducted; historical audit overview; and the FY17 combined audit plan.

Acting committee chair Janda moved to approve the Fiscal Year 2017 audit plan. Seconded by Mr. Orser. MOTION CARRIED.

The meeting recessed for lunch at 11:55 a.m.; and reconvened at 12:25 p.m.

Regional cooperation debt update

Mr. John Irvan, Treasury / Financial Services manager, provided an update on key activities regarding regional cooperation debt. Highlights included: regional dialogue on the current proposal; regional cooperation debt background; acceleration with lines of credit; timeline; EN's staff view; and recommendation.

Motion 2016-7

Acting Committee Chair Janda moved to approve Motion 2016-7: It is moved that the Energy Northwest Executive Board support the extensions of up to \$972 million of fiscal year 2018-2020 Columbia and Projects 3 bonds as part of regional cooperation debt restructuring. The bond transactions will be incorporated into the budget process and will be subject to separate Executive Board resolutions authorizing each bond transaction. Seconded by Ms. Lori Sanders. MOTION CARRIED.

Motion 2016-8

Acting Committee Chair Janda moved to approve Motion 2016-8: It is moved that the Energy Northwest Executive Board support the issuance of lines of credit for Columbia, Project 1 and Project 3 up to a combined total of \$827 million during fiscal years 2017-2020 in order to further accelerate the payoff of high interest rate federal debt. The lines of credit will be incorporated into the budget process and will be subject to separate Executive Board resolutions authorizing each line of credit. Seconded by Ms. Lori Sanders. MOTION CARRIED.

Nuclear Decommissioning Fund Update

Mr. Alex Roth, Bonneville Power Administration, presented an update on the nuclear decommissioning fund. Key highlights included: Columbia Generating Station fund background; fund management; fund portfolio changes and implementation; new target portfolio; fund asset allocation; summary of recent performance; and current holdings component fund returns.

Mr. Brian Loescher and Tom Breaden, Hyas Group, presented on asset allocation review for Columbia decommissioning and site restoration trust fund. Key highlights included: background considerations; asset class returns; S&P 500 Index rolling 30-year returns and various historical events; asset allocation returns; rate of returns; peer comparison; portfolio; long-term expectations; implementation strategy; and summary.

Mr. Roth continued his presentation on the nuclear decommissioning fund focusing on: risk of short-term loss; comparison to other nuclear decommissioning trusts; and Projects 1 and 4 fund update, new target portfolios, market value and recent performance.

The meeting recessed at 1:49 p.m. for a break; and reconvened at 2 p.m.

Baker Tilly Entrance Conference

Mr. Russ Hissom, Baker Tilly, presented the audit entrance conference. Key points included: audit objectives; areas of audit emphasis; organization of engagement team; audit approach; audit responsibilities; and timing and communications plan.

Commitment Review/Provide Majority-based Direction

The following new commitment was added:

- The board agreed to have further discussion on this topic at the briefing of phase 2 of the investigation during the July meeting. Additionally, for discussion at the August workshop, using information presented and discussed during the corrective action presentation at the July meeting, staff committed to provide a draft policy / guidelines for the board to consider for an audit concerns program – Bob Dutton – August workshop

Regular Executive Board Meeting (cont'd)

Election of Officers

Mr. Tim Sheldon facilitated the election of officers.

Mr. Jim Moss nominated Ms. Linda Gott for assistant secretary. Ms. Lori Sanders seconded.

Mr. Sheldon called for vote. MOTION CARRIED.

Mr. Moss nominated Ms. Lori Sanders for secretary. Mr. Jack Janda seconded.

Hearing no other nominations, Mr. Sheldon called for vote. MOTION CARRIED.

Mr. Moss nominated Mr. Jack Janda for vice chair. Ms. Lori Sanders seconded.

Hearing no other nominations, Mr. Sheldon called for vote. MOTION CARRIED.

Mr. Moss nominated Mr. Sid Morrison for chair. Mr. Jack Janda seconded.

Hearing no other nominations, Mr. Sheldon called for vote. MOTION CARRIED.

Chair Morrison shared that he is touched by the opportunity to serve the Executive Board as chair again.

Other Business

Chair Morrison shared a document he requested from Mr. Jim Gaston regarding energy resources, which included information on levelized cost of power; use; capacity factor; carbon emitting; and jobs created for several energy sources. Chair Morrison shared that the information is beneficial for board members as they have opportunities to talk with others about the future of energy.

Upcoming Meetings

Chair Morrison reminded the board that the Joint Executive Board / Board of Directors meeting will be held at the Holiday Inn Express in Pasco, Wash. on July 27 – 28, 2016.

BPA Report

Mr. Phil Smith, Bonneville Power Administration, provided an update on power systems and other BPA-related information.

Meeting critique

Mr. Sheldon provided the Executive Board meeting critique for the month of June.

Staff Announcements

None.

Hearing no further discussion, Chair Morrison adjourned the meeting at 3:04 p.m.

Respectfully submitted by,

Angela Smith
Board Relations