

**Minutes of the  
Energy Northwest  
Executive Board / Participants Review Board  
Budget Review Workshop  
Holiday Inn Express – Vineyard Room  
4525 Convention Place  
Pasco, Wash.  
March 22, 2016**

Chair Sid Morrison called the Fiscal Year 2017 Budget Review Workshop of the Executive Board and Participants Review Board of Energy Northwest to order at 9 a.m. on March 22, 2016 in the Vineyard Room of the Holiday Inn Express in Pasco, Wash. There was a quorum present. An environmental analysis of the budget review workshop 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
Skip Orser	Present
Will Purser	Present
Tim Sheldon	Present
Kathy Vaughn	Present

### **Participants Review Board Members**

Susan Thraen, Chair	Present
Ray Mosbrucker, Vice Chair	Absent
Stu Nelson, Secretary	Present
Karl Denison	Present
Steve Houston	Present
Paul Rogers	Present
Garry Rosman	Present
Clay Smith	Present (teleconference)
Mike Swanson	Present

**Others Present:** Board of Directors members – Barney Burke and Shan Rowbotham; Bonneville Power Administration – Paul (Bear) Bentrup, Larry Felton, Robb Roberts, Dana Sandlin, Cherie Sonoda and Wayne Todd; PSAV – Blaine Johnson; and Public Power Council – Kevin O’Meara.

**Staff Present:** Mark Reddemann; Brad Sawatzke; Brent Ridge; Grover Hettel; Alex Javorik; Bob Dutton; Jim Gaston; Mike Paoli; Dave Briggs; Kent Dittmer; Johnathan Hicks; John Irvan;

Dave Jordan; Brett Kelsey; Carla Martinez; Suzanne Mitchell; Scott Praetorius; Don Queen; Leo Quiachon; Cristina Reyff; Eric Rockett; Angela Smith; and Jeff Smith.

## **Executive Board / Participants Review Board Budget Review Workshop**

### **Introduction**

Mr. Mark Reddemann, Chief Executive Officer, provided an introduction to the budget review workshop emphasizing the predictability of the Long-Range Plan. Specifically, Columbia Generating Station's Operations & Maintenance budget met last year's forecast for Fiscal Year 2017 (reduced O&M direct expenses by 2.8 percent (\$5.2 million) and absorbed 2.8 percent increase in allocations mostly due to medical and Public Employees' Retirement System rate increases); met last year's forecast for FY17 for Columbia's Capital budget; continued investment in Columbia's equipment reliability; continued focus on current business opportunities; meeting members' needs for professional and O&M Services; providing competitive compensation to both attract new and retain existing employees; supporting regional challenges; the Value Optimization Plan; and generation and production costs for Columbia; the cost of power for Packwood and Nine Canyon; and the Business Development Fund Margin.

### **Budget Overview**

Mr. Brent Ridge, Vice President, Corporate Services and Chief Financial and Risk Officer, reviewed the agenda for the Budget Review Workshop and discussed key points that would be covered in detail including: general budget information; budget highlights (FY17 is an outage year for Columbia, Columbia O&M and Capital budgets remain within last year's plan; the Bonneville Power Administration's rate case savings for FY16/17 is \$1.1 million, continuing to finance Columbia Capital of \$147.2 million, maximizing Packwood and Nine Canyon availability and the Demand Response Pilot #2); funding requirements and sources; operating and capital costs by business unit; and staffing levels.

### **Columbia and Long-Range Plan / Bonneville Rate Case Impacts**

Mr. Brad Sawatzke, Chief Operating Officer and Chief Nuclear Officer, provided the management overview of Columbia. Key highlights included: Columbia's regional value (base load resource, firm capacity and risk mitigation); the Value Optimization Plan – met original target compared to peer groups and setting new regional target; people – ensuring adequate resources to ensure competitive compensation packages to attract new employees and retain existing employees; equipment reliability focus; sustaining Excellence focus (Strong Governance and Oversight, Predictable Long-Range Planning and Execution, Risk Management is Core Business, Cost-effective Operation and Successful Outage); and regulatory mandates continuing to demand resources – Fukushima, cyber security and overall security.

Ms. Cristina Reyff, Business Planning & Risk Manager, presented an overview of the Long-Range Plan. Key points included: The LRP identifies and plans for resource requirements to maintain long-term Columbia safety, reliability and predictability; the LRP methodology; inputs;

assumptions; Capital strategy plan is updated annually – rolling a 10-year forecast; a review of the FY 2016 Capital strategy; Capital and O&M budgets; challenges; and major projects.

The meeting recessed at 10:41 a.m. for a break; the meeting reconvened at 10:56 a.m.

Mr. Johnathan Hicks, Budget supervisor, presented an overview of the LRP budget; objectives (continue implementation of Value Optimization Program, meet requirements of the staffing plan, continue to improve cost predictability and achieve and sustain Excellence); key assumptions; Corporate allocations; risk reserve; budget versus prior year LRP; generation and production cost of power; FY17 risks; total Columbia costs; budgeted positions and staffing levels; O&M projects non-labor; Capital projects non-labor; and the Value Optimization Plan.

Mr. Kent Dittmer, Asset manager/controller, discussed BPA rate case impacts to Columbia.

### **Columbia 10-Year Fuel Plan**

Mr. Scott Praetorius, Nuclear Fuels Procurement program manager, discussed the FY17 Fuel Management Plan. Highlights included: a background on the fuel management plan; FY16 highlights; dry storage; FY17 budget highlights, depleted uranium enrichment program cash flow by fiscal year; cash comparison of FY16 versus FY17; nuclear material purchases; conversion prices; material prices; and market price comparisons.

The meeting recessed for lunch at 12:04 p.m.; the meeting reconvened at 12:45 p.m.

### **General Business Unit (Administrative & General)**

Mr. Hicks, provided an overview of the costs for the general business unit. Key points included: budget assumptions; costs not specific to a business unit; four separate allocation pools; business unit allocation percentages; FY17 budget compared to LRP; historical/projected state retirement costs; staffing levels; FY17 compared to FY16 original budget summary; Corporate program functions; benefits; organizational overhead; general purpose projects; basis for risk reserve; and comparison of Columbia cost of power to general business costs.

### **Energy Services and Development**

Mr. Jim Gaston, general manager for Energy Services & Development, provided an overview of the FY17 budget for ESD. Key points included: Budget strategies and considerations; budget achievements; developments and major initiatives; financial summary; business development; and O&M for Nine Canyon and Packwood.

### **Debt Service / Investments**

Mr. John Ivan, Treasury & Financial Services manager, provided an overview of debt and investments for the FY17 budget. Key points included: Budget assumptions and drivers; regional cooperation debt; total bond principal; Treasury related funding requirements; and the financing plan.

### **Commitment Review/Provide Majority-based Direction**

The following commitment was added:

- Verify the length of Packwood's new license (confirm whether it is for 50 years) – Jim Gaston

Hearing no further discussion, the workshop adjourned at 2 p.m.

Respectfully submitted by,

Angela Smith  
Board Relations