

**MINUTES OF THE
ENERGY NORTHWEST
REGULAR EXECUTIVE BOARD
HOLIDAY INN EXPRESS – VINEYARD ROOM
4525 CONVENTION PLACE
PASCO, WASHINGTON
April 23 – 24, 2014 – Commencing at 11:01 a.m.**

Chair Sid Morrison called the regular meeting of the Executive Board of Energy Northwest to order at 11:01 a.m. There was a quorum present. An environmental analysis of the April 23 – 24, 2014, 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

Sid Morrison, Chair
Marc Daudon
Dan Gunkel
Jack Janda
Skip Orser
Will Purser
Dave Remington (Thursday only)
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others Present:

Both days: Board of Directors members - President Linda Gott; Terry Brewer; Barney Burke; Bill Gordon; Steve Houston; Curt Knapp; Phil Lusk; Jim Malinowski; M.L. Norton; Judy Ridge; Diana Thompson; Participants Review Board members - Karl Denison; Stu Nelson; Mark Jones, Bonneville Power Administration.

Wednesday only: Board of Directors members - Ann Congdon, Chelan County PUD; Robert Jungers, Wahkiakum County PUD; Arie Callaghan, Grays Harbor County PUD; Shan Rowbotham, Kittitas County PUD; Buz Ketcham, Cowlitz County PUD; Ted Coates, Tacoma Public Power; Bob Hammond, City of Richland; Chuck Tenpas, Lewis County PUD; and Mike Jones, Seattle City Light; Eric Rockett, Rockett Science; Legislative Liaison Shirley Reese and Annette Cary, Tri-City Herald.

Thursday only: Kevin O'Meara, Public Power Council; John Saven, Northwest Requirements Utilities; Bonneville Power Administration employees - Mike DeWolf, Jon Dull, Javier Fernandez, Brian McConnell, Anna-Lisa Miller, Nancy Mitman, Dana Sandlin, Phillip Smith and Cheri Sonada.

Staff Present:

Both days: Mark Reddemann, Dale Atkinson, David Briggs, Bob Dutton, Grover Hettel, John Irvan, Mike Paoli, Brent Ridge, Laura Scheele, Angela Smith and Jeff Windham.

Wednesday only: Scott Praetorius, Cristina Reyff, Suzanne Mitchell, Daniel Dale, Karen Claussen, and Johnathan Hicks.

Thursday only: Brad Sawatzke.

The meeting immediately followed the Energy Northwest Board of Directors meeting. The meeting recessed at 11:05 a.m. for a short break; the meeting reconvened at 11:15 a.m.

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:

- Joint Executive Board/Participants Review Board Budget Workshop – March 18, 2014
- Regular Executive Board Meeting – March 19-20, 2014
- Special Executive Board/Compensation Subcommittee Meeting – March 19-20, 2014

Mr. Jack Janda moved that the regular minutes be approved as presented. Mr. Tim Sheldon seconded the motion. MOTION CARRIED.

PRESENTATION OF MERITORIOUS SERVICE AWARDS

Chair Morrison presented the Meritorious Service Awards to the 10 team members involved in the uranium tails procurement project. Messrs. Gunkel and Orser handed out the plaques.

The Meritorious Service Awards recognize an employee or team who have made outstanding contributions, provided continuous high level of service to Energy Northwest, or given notable leadership to a project, activity or event of major significance.

ADMINISTRATIVE, ENERGY & MEMBER SERVICES COMMITTEE REPORTS

INFORMATION AGENDA ITEMS

No new agenda items.

STRATEGIC PLAN QUARTERLY UPDATE

Brent Ridge, Corporate Services and Chief Financial/Risk Officer, provided a quarterly update of the Fiscal Year 2014 Strategic Plan. Hearing no questions, Mr. Ridge proceeded with the review of the proposed FY 2015-2017 Strategic Plan.

Mr. Ridge also reviewed the specific direction and decisions made by the Executive Board to be incorporated in the updated strategic plan. He thanked the Executive Board for their engagement in the plan.

Mr. Ridge committed to having changes incorporated and a new draft sent to the board by the end of the following week.

Mr. Sheldon moved to endorse and approve the FY15-17 Strategic Plan, Mss. Vaughn and Sanders seconded the motion. MOTION CARRIED.

COMMITMENT REVIEW/PROVIDE MAJORITY-BASED DIRECTION

- FY 2015-2017 Strategic Plan – Cristina Reyff – May 2, 2014

The meeting recessed for lunch at 12:18 p.m. and reconvened at 1:08 p.m.

OTHER BUSINESS

Hearing no further business, Chair Morrison turned the meeting over to the Audit, Legal & Finance Committee Chair Kathy Vaughn.

AUDIT, LEGAL & FINANCE COMMITTEE REPORTS**INFORMATION AGENDA ITEMS**

Committee Chair Kathy Vaughn reviewed information agenda items.

APPROVAL OF FY 2015 BUDGETS

Mr. Ridge presented an overview of the seven Fiscal Year 2015 budget resolutions, highlighting a change to the Columbia Operation & Maintenance proposed budget due to a recent regulatory notification increasing the annual reactor license fee. Mr. Ridge noted that even with the fee increase, Energy Northwest reduced our rate case impact \$6.8 million in the Bonneville Power Administration (BPA) FY 2014/2015 rate case and an additional \$44.8 million in the FY 2016/2017 rate case. These savings are above and beyond the tens of millions already saved each rate case through debt optimization, the lowering of decommissioning annual costs through successful license extension and the 2012 uranium tails fuel transaction.

Mr. Denison asked if the congressional delegation has been informed of the regulatory fee increase. Mr. Ridge said we would do that.

Committee Chair Vaughn presented the following resolutions for consideration and moved for their adoption as presented:

Executive Board Resolution No. 1798 entitled "A RESOLUTION APPROVING AND ADOPTING ENERGY NORTHWEST NUCLEAR PROJECT NO. 1 ANNUAL BUDGET FOR FISCAL YEAR 2015";

Executive Board Resolution No. 1799 entitled "A RESOLUTION APPROVING AND ADOPTING ENERGY NORTHWEST ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2015 FOR COLUMBIA GENERATING STATION";

Executive Board Resolution No. 1800 entitled "A RESOLUTION APPROVING AND ADOPTING ENERGY NORTHWEST NUCLEAR PROJECT NO. 3 ANNUAL BUDGET FOR FISCAL YEAR 2015";

Executive Board Resolution No. 1801 entitled "A RESOLUTION APPROVING AND ADOPTING THE ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2015 FOR THE PACKWOOD LAKE HYDROELECTRIC PROJECT";

Executive Board Resolution No. 1802 entitled "A RESOLUTION APPROVING AND ADOPTING THE ANNUAL OPERATING BUDGET FOR FISCAL YEAR 2015 FOR THE NINE CANYON WIND PROJECT";

Executive Board Resolution No. 1803 entitled "A RESOLUTION APPROVING AND ADOPTING ENERGY NORTHWEST BUSINESS DEVELOPMENT FUND ANNUAL BUDGET FOR FISCAL YEAR 2015"; and

Executive Board Resolution No. 1804 entitled "A RESOLUTION APPROVING AND ADOPTING THE GENERAL BUSINESS UNIT BUDGET, FISCAL YEAR 2015, FOR ENERGY NORTHWEST".

Mr. Janda seconded the motion. Chair Morrison noted that the Energy Northwest Executive Board has looked at budgets in great detail over a period of several months and invited stakeholders to review and comment as well. He also shared his appreciation to the team for putting this together. EXECUTIVE BOARD RESOLUTIONS NOS. 1798, 1799, 1800, 1801, 1802, 1803 and 1804 respectively ADOPTED BY UNANIMOUS VOTE.

QUARTERLY COST REVIEWS – COLUMBIA

Johnathan Hicks, Budget supervisor, reviewed the Columbia Generating Station budget status for the third quarter of Fiscal Year 2014. Per a discussion on the new Governmental Accounting Standards Board (GASB) rule on retirement systems, Karen Claussen, Financial

Accounting supervisor, committed to connect with Benton PUD's Accounting group to ensure the agencies are aligned.

QUARTERLY COST REVIEWS – ENERGY/BUSINESS SERVICES

Jeff Windham, Treasury/Budgets supervisor, reviewed the Energy/Business Services budget status for the third quarter of Fiscal Year 2014.

PRICING OF COLUMBIA AND PROJECT 3 BOND TRANSACTION

Mr. Windham reviewed the results of the Series 2014 A/B transaction for Columbia and Project 3 that priced on April 8, 2014.

The meeting recessed at 2:02 p.m. for a break; the meeting reconvened at 2:26 p.m.

EXECUTIVE SESSION PER RCW 42.30.110(1)(b)

The meeting recessed at 2:33 p.m. for the purpose of holding a 30-minute Executive Session to discuss selection of a site or the acquisition of real estate in accordance with RCW 42.30.110(1)(b). The meeting reconvened at 2:54 p.m.

EXECUTIVE SESSION PER RCW 42.30.110(1)(i)(B)

The meeting recessed at 2:54 p.m. for the purpose of holding a 30-minute Executive Session to discuss litigation matters in accordance with RCW 42.30.110(1)(i)(B). The meeting reconvened at 3:20 p.m.

COMMITMENT REVIEW/PROVIDE MAJORITY-BASED DIRECTION

The following new commitments were added:

- Inform congressional delegation regarding the NRC fee increase – Mike Paoli had already pushed the information to Morgan Meguire for further distribution to the delegation.
- Per a discussion on the new GASB rule on retirement systems, connect with Benton PUD's Accounting department to ensure the agencies are aligned – Karen Claussen

OTHER BUSINESS

Commissioner Terry Brewer, Grant County PUD, provided a brief update on dam repairs.

Hearing no further business, Chair Morrison recessed the meeting at 3:37 p.m. until dinner.

The Executive Board meeting convened at 6:00 p.m. for a social and dinner. Chair Sid Morrison called the meeting to order at 7:34 p.m. and welcomed all in attendance.

Roll Call:

Sid Morrison, Chair
Marc Daudon
Dan Gunkel
Jack Janda
Skip Orser
Will Purser
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others Present:

Board of Directors members J. Ridge, Asotin County PUD; B. Burke, Jefferson County PUD; A. Congdon, Chelan County PUD; B. Gordon, Franklin County PUD and spouse L. Gordon; A. Callaghan, Grays Harbor PUD; S. Rowbotham, Kittitas County PUD; L. Gott, Mason County PUD No. 3; C. TenPas, Lewis County PUD; and D. Thompson, Pacific County PUD; P. Lusk, City of Port Angeles; Participants' Review Board member S. Nelson (Franklin County PUD); S. Sanders, spouse of L. Sanders; and guest speaker Dr. Landis Kannberg of Pacific Northwest National Laboratories.

Staff Present:

M. Reddemann, D. Atkinson, R. Dutton, B. Ridge, M. Paoli and P. Lilly.

Chair Morrison called the meeting to order at 7:34 p.m. He introduced guest speaker Dr. Landis Kannberg with the Pacific Northwest National Laboratories (PNNL) and gave a brief bio. He requested introductions around the table.

Dr. Kannberg, lead manager for Energy Storage and Renewable Integration in the Environment Directorate at PNNL, spoke about Renewable Integration.

Dr. Kannberg covered the following areas: renewable portfolio standards and goals, global power generation forecast, the German capacity challenge, Europe's renewable incentives reconsidered, forecast of the German profile including the hourly generation profile.

Dr. Kannberg covered the following topics:

- New Investment in Clean Energy 2004-2013
- Annual Research and development Investment in Solar PV
- U.S. PV Costs and Deployment
- U.S. Wind Generation
- U.S. Generation Additions by Type
- Solar and Wind Power Prices Purchase Agreement
- Grid Operations and Stochastic Generation
- PV Penetration – creating operating Challenge
- Worked Examples of Wind Impacts

- RI Efforts and PNNL
- The challenges of enabling Grid Operators to Manage Uncertainty
- Benefits of Balancing Authorities
- Cooperation in the Western Interconnection

Dr. Kannberg summarized his presentation by saying renewable generation will become a growing part of electric service at all levels of the system and that significant changes in the way we plan and operate, regulate, finance and monetize the grid will be necessary.

Chair Morrison thanked Dr. Kannberg for his presentation and the fine work he and others are doing at PNNL. He noted that PNNL is a tremendous asset and Energy Northwest appreciates their many contributions.

Hearing no further discussion, Chair Morrison adjourned the dinner meeting at 9:21 p.m.

Respectfully submitted,

Pattie J. Lilly
Public Affairs

The regular Executive Board meeting reconvened at 8:03 a.m. on Thursday, April 24, 2014, by Executive Board Chair Morrison, who turned the meeting over to Co-Chair Dan Gunkel and Co-Chair Skip Orser of the Nuclear Oversight & Safety Committee.

NUCLEAR OVERSIGHT & SAFETY COMMITTEE REPORTS

CHIEF NUCLEAR OFFICER REPORT

Brad Sawatzke, Vice President, Nuclear Generation/Chief Nuclear Officer, presented the Chief Nuclear Officer Report.

Key points included plant status, station focuses (including backup transformer, the Independent Spent Fuel Storage Installation fuel loading campaign, cumulative impact industry initiative and human performance), upcoming events and Columbia performance indicators.

Based on discussion, Mr. Sawatzke committed to present next month on the results from the assist visit and areas the agency needs to focus on.

After hearing no additional questions or comments, the meeting recessed at 9:36 a.m. for a break; the meeting reconvened at 9:50 a.m.

COMMITMENT REVIEW/PROVIDE MAJORITY-BASED DIRECTION

The following new commitment was added:

- Present on results from the assist visit and areas of focus – Brad Sawatzke – May 2014

EXECUTIVE BOARD MEETING CONT'D

BPA REPORT – CAPITAL REVIEW

Brian McConnell and Mike DeWolf from BPA presented optimizing BPA's investment portfolio.

Highlights include: affordability cap objectives, historical capital spending, proposed capital spending and prioritization of investments.

The meeting recessed to get lunch (for a working lunch) at 11:06 a.m. and reconvened at 11:31 a.m.

REFINANCING OF PROJECTS 1 AND 3

Javier Fernandez from BPA presented information regarding refinancing of Projects 1 and 3 Regional Cooperation Debt.

PROJECT 1 & 3 BUSINESS CASE

Mike Mace from Public Financial Management provided information on the Project 1 & 3 business case.

Board members requested awareness of what metrics are used. Mr. Ridge committed to have John Irvan provide the metrics in preparation for the May Executive Board meeting. Consideration will also be given as to whether or not there should be a special meeting.

SYSTEM STATUS REPORT

Mark Jones of BPA provided a brief update of current water conditions and other BPA-related information.

COMMITMENT REVIEW/PROVIDE MAJORITY-BASED DIRECTION

The following new commitments were added:

- Re-label, where appropriate, "Energy Northwest Debt" as "Regional Debt" – Brent Ridge (work with Nancy Mitman, BPA)
- Brief the Executive Board on debt agreement metrics – John Irvan – prior to the May Executive Board Meeting

OTHER BUSINESS

MEETINGS

Chair Morrison announced that the next Energy Northwest Executive Board meeting will be on May 14-15, 2014. May 14 will be an all-day tour of the Hanford Site. The May 15 meeting will be at Energy Northwest's Multi-purpose Facility, Richland, Wash.

Hearing no further discussion, Chair Morrison thanked everyone for attending and wished them a safe journey home. The regular meeting adjourned at 1:57 p.m.

Respectfully submitted by,

Angela Smith
Board Relations