

**MINUTES OF THE
ENERGY NORTHWEST
JOINT EXECUTIVE BOARD/PARTICIPANTS REVIEW BOARD
BUDGET WORKSHOP
HOLIDAY INN EXPRESS – VINEYARD ROOM
4525 CONVENTION PLACE
PASCO, WASHINGTON
MARCH 18, 2014 – Commencing at 8:13 a.m.**

The Joint Executive Board/Participants Review Board Fiscal Year 2015 Budget Review Workshop began at 8:13 a.m.

Approximately 18 members of the governing boards of Energy Northwest were on hand for the FY 2015 budget review. Also in attendance were the senior leadership team and various department managers/staff members of Energy Northwest, as well as various Bonneville Power Administration staff, and John Saven, Chief Executive Officer of Northwest Requirements Utilities.

INTRODUCTION

Executive Board Chair Sid Morrison introduced Northwest Requirements Utilities Chief Executive Officer John Saven; Mark Jones from the Bonneville Power Administration (BPA), who is the replacement for Andy Rapacz; and Dana Sandlin and Cherie Sonoda also from BPA.

Mark Reddemann, Chief Executive Officer, provided an introduction to the budget review workshop emphasizing that the budget is in line with Energy Northwest's strategic goals and Excellence phases. Specifically, goals are associated with being predictable and cost efficient. He highlighted that the proposed costs are almost \$8 million lower in FY 2015.

Looking to the future, Mr. Reddemann stated that it is the agency's commitment to continue to invest in Columbia Generating Station's equipment reliability, develop new business opportunities such as demand response and distributed energy storage, and meet members' needs.

BUDGET OVERVIEW

Brent Ridge, Vice President/Chief Financial and Risk Officer, reviewed the agenda for the day.

Mr. Ridge then discussed key points of information that would be presented and discussed during the workshop including: FY 2015 is an outage year for Columbia; the Columbia operations and maintenance budget is \$7.8 million less than what was planned in last year's Long-Range Plan (LRP); Columbia is maintaining the same level of capital investment as was planned in last year's LRP; the FY 2015 LRP results in a BPA rate case savings of \$47.5 million for the next rate case of 2016/2017; and finally, Energy/Business Services' goals for FY 2015 to improve the Packwood Lake Hydroelectric Project (Packwood) and the Nine Canyon Wind

Project (Nine Canyon) costs of power and finalizing the Tieton Hydro operations and maintenance (O&M) support contract.

Per a question from the board, Mr. Ridge committed to reach out to the Board of Directors to ensure they have adequate knowledge of the budget.

COLUMBIA AND COLUMBIA LONG RANGE PLAN/BPA RATE CASE IMPACTS

Jim Gaston, Asset manager/controller, provided an overview of the Value Optimization Project, a new FY 2015 –FY 2018 initiative. The Value Optimization Project provides \$7.8 million reduction in O&M in FY15 and includes the following components: reduction in escalation, staffing (through attrition), non-labor, capitalization policy and refuel outage O&M incremental.

Mr. Gaston also shared major challenges that impact the budget: long term system health, Fukushima, cyber-security, and continuing discovery in equipment reliability.

Ron Hogue, Business Planning manager, presented an overview of the LRP. The LRP identifies and plans for resource requirements to maintain long-term Columbia safety and reliability. The plan is updated annually – rolling a 10-year forecast. The updates include a potential needs evaluation and entering approved projects into the plan by recommended fiscal year. The Executive Authorization Committee (EAC) authorizes the Fiscal Year Project Lists and significant emergent project issues as determined by the Asset manager/controller organization and the Project Review Committee (PRC).

BPA's involvement was also discussed. Mr. Hogue stated meetings are attended by BPA representatives and Ms. Sandlin confirmed BPA is very happy with the process.

Mr. Hogue discussed the capital strategy, items that changed in the LRP for FY 2015 and the LRP in detail including the capital and O&M budgets, and major projects.

The meeting was recessed at 10:05 a.m. for a short break; the meeting was reconvened at 10:23 a.m.

Johnathan Hicks, Budget supervisor, presented on Columbia's FY 2015 budget. Key points included: the FY 2015 budget for operations & maintenance is lower than the previous fiscal year (by 2.8%), capital costs are equal to the FY 2014 LRP, the amortized fuel costs are lower (by 0.2%) than FY 2014 and the total budget is \$429.2 million.

COLUMBIA 10-YEAR FUEL PLAN

Scott Praetorius, Nuclear Fuels Procurement program manager, discussed the Fuel Management Plan and FY 2015 highlights including: nuclear material purchases, fabrication and analysis purchases, fabrication bids, dry storage cask, waste disposal fee payments, generation tax payments, enriched uranium product storage and handling.

Mr. Praetorius committed to capture fuel tails graphs in a way easily digestible on the external website to tell and show more information.

CORPORATE/ADMINISTRATIVE & GENERAL

Mr. Hicks provided an overview of the costs not specific to a business unit. Key points included overall escalation of 1.78 percent, estimating an 8 percent increase to medical benefits starting in second half of the fiscal year, Public Employees' Retirement System rate is the same as FY 2014, at-risk compensation is at 100 percent payout, risk reserve is maintained at \$0.645 million and additional benefits are required due to Columbia's outage.

The meeting recessed for lunch at 11:45 a.m. and reconvened at 12:26 p.m.

ENERGY/BUSINESS SERVICES – OVERVIEW/STRATEGIES

Jeff Windham, Treasury/Budgets supervisor, presented key budget items for Energy/Business Services (E/BS). Major initiatives that impact the budget include: demand response, distributed energy storage, Tieton Hydro operations and maintenance support contract.

ENERGY BUSINESS SERVICES SECTORS

Mr. Windham presented on specific business services within E/BS. Specifically, calibration and environmental services, information services, NoaNet overview of margins, Generation Project Development, O&M/Professional Services and the Facilities sector.

The meeting recessed at 1:20 p.m. for a short break; the meeting reconvened at 1:37 p.m.

DEBT SERVICE/INVESTMENTS

Mr. Windham provided an overview of debt and investments for the FY 2015 budget. Key points included budget assumption and drivers, total bond principal, Treasury related funding requirements and the financing plan.

COMMITMENT REVIEW/PROVIDE MAJORITY-BASED DIRECTION

- Reach out to the Energy Northwest Board of Directors to ensure they have adequate knowledge of the budget – Brent Ridge – TBD
- Capture fuel tails graphs in a way easily digestible on the external website to tell and show more information – Scott Praetorius – TBD
- Look into business opportunity with a tribe running a dam in Montana – Ted Beatty –TBD

OTHER BUSINESS

Executive Board Chair Morrison reminded all Executive Board and Participants Review Board members of that evening's dinner and presentation.

After hearing no further discussion, the workshop recessed at 2:07 p.m.

Respectfully submitted by,

Angela Smith
Board Relations