

**MINUTES OF THE
ENERGY NORTHWEST
REGULAR EXECUTIVE BOARD
HOLIDAY INN EXPRESS – VINEYARD ROOM
4525 CONVENTION PLACE
PASCO, WASHINGTON
MARCH 19 – 20, 2014 – Commencing at 10:00 a.m.**

Chair Sid Morrison called the regular meeting of the Executive Board of Energy Northwest to order at 10:03 a.m. There was a quorum present. An environmental analysis of the March 19 – 20, 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
Jim Moss
Skip Orser
Will Purser
Dave Remington
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others present:

Both days: Board of Directors President L. Gott, Mason County PUD No. 3; M. Jones, Bonneville Power Administration; and B. Johnson, PSAV Audio Services.

Wednesday only: Participants Review Board member S. Houston, Okanogan County PUD; A. Carey, Tri-City Herald; M. Coffman, Tri-Cities Area Journal of Business; and S. Reese, Legislative Liaison.

Thursday only: P. Bentrup, Bonneville Power Administration.

Staff present:

Both days: M. Reddemann, D. Atkinson, D. Briggs, B. Dutton, P. Lilly, C. Martinez, M. Paoli, B. Ridge, and A. Smith.

Wednesday only: J. Dobken, and A. Walz.

Thursday only: B. Guldemon, A. Javorik, S. Lorence, S. Metzger, D. Montgomery, D. Rolon, and S. Szendre.

The meeting opened with the Pledge of Allegiance.

Chair Morrison acknowledged Mark Jones, Bonneville Power Administration (BPA) as Andy Rapacz's replacement.

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

The meeting recessed at 10:07 a.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 10:36 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:

- Regular Executive Board Meeting – Feb. 26 – 27, 2014

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

REPORT BY THE CHIEF EXECUTIVE OFFICER

Mark Reddemann, Chief Executive Officer, opened with sharing several positive agency items including Columbia Generating Station (Columbia) setting a new operational record for the longest run following a refueling outage – more than 247 days of continuous operation since R-21 ended. Additionally, Energy Northwest received recertification for its ISO 14001 management system certification – demonstrating the agency's commitment to environmental excellence. Finally, he discussed the recent federal court decision in Energy Northwest's favor, which awarded \$19.3 million to the agency to cover maintenance costs incurred from 2006 to 2012 at the used fuel storage facility.

Mr. Reddemann reminded the board that three years ago the court awarded Energy Northwest more than \$48 million in damages for initial construction, licensing and maintenance of the agency's Independent Spent Fuel Storage Installation (ISFSI). This was a result of the Energy Department's failure to accept used fuel from the nation's nuclear facilities for storage in a central national repository.

Mr. Reddemann also discussed the current loading and transporting of nine casks into the ISFSI and invited board members to a tour in April observing the transfer.

Mr. Reddemann briefly discussed two recent public records requests from McCullough Research and stated Brent Ridge, Vice President/Chief Financial and Risk Officer, would discuss these requests in more detail later.

Other topics covered included the latest on small modular reactors and project performance.

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

Chair Vaughn recessed the meeting for a break at 11:15 a.m. The meeting reconvened at 11:26 a.m.

BUDGET FOLLOW-UP

Mr. Ridge summarized key points from the previous day's budget review workshop including: Energy Northwest is living within the approved capital budget and the proposed fiscal year 2015 budget will provide an additional \$47.5 million in rate case savings.

RECORDS RETENTION DISCUSSION

This agenda item was deferred.

NOANET REPORT

A discussion ensued regarding updates on NoaNet including NoaNet's contemplation of a line of credit including their options. At a recent NoaNet meeting it appeared that about half the members were interested in loaning money to NoaNet.

An Executive Board member asked a question about NoaNet's debt forgiveness which is believed to have a payoff in 2016. Mr. Ridge stated he would research NoaNet's debt forgiveness.

IHS CERA WEEK TRIP REPORT

Committee Chair Vaughn and Messrs. Morrison and Purser shared information with the board on their trip to the IHS CERA Week conference. More than 2,000 delegates attended the conference from all around world.

Highlights of the trip included presentations by U.S. Senator Lisa Murkowski, Department of Energy Secretary Dr. Ernest Moniz, Environmental Protection Agency Administrator Gina

McCarthy, Colorado Governor John Hickenlooper, Federal Energy Regulatory Commission Chairman Cheryl LaFleur and former Chairman of the Federal Reserve, Ben Bernanke.

Additionally Committee Chair Vaughn thanked Energy Northwest staff, specifically Dale Atkinson, Vice President, Employee Development and Corporate Services, and Laura Scheele, Public Affairs senior analyst, who helped create a resolution in support of small modular reactors. Committee Chair Vaughn presented it at the American Public Power Association Legislative Rally in Wash., D.C. APPA members adopted the resolution.

COMMITMENT REVIEW/PROVIDE MAJORITY-BASED DIRECTION

- Research NoaNet's debt forgiveness – B. Ridge – July 2014

OTHER BUSINESS

Hearing no further business, Committee Chair Vaughn turned the meeting back over to Executive Board Chair Morrison.

The meeting recessed for lunch at 12:26 p.m. and reconvened at 1:11 p.m.

Executive Board Chair Morrison turned the meeting over to the Administrative, Energy & Members Services Committee Chair Tim Sheldon.

ADMINISTRATIVE, ENERGY & MEMBER SERVICES COMMITTEE REPORTS

INFORMATION AGENDA ITEMS

No new agenda items.

LEGISLATIVE UPDATE

Ms. Reese and Mr. Rowland provided a summary of the 60-day legislative session.

Approximately 100 bills were identified that were believed to have a potential effect on Energy Northwest. Of those, 15 passed and were sent to the governor.

Marian Kellett, Document & Data Services/Records Information manager discussed effects to Energy Northwest and stated that Energy Northwest has already started working one of the bill's— regarding public records training – with a goal of having training available in the summer timeframe. One of the board members challenged whether the bill impacted those public officials who have already been appointed.

GOVERNING BOARD POLICIES FINAL OVERVIEW

Mr. Ridge reviewed the draft governance policies which included feedback provided by the Executive Board last month.

The meeting recessed at 2:35 p.m. for a short break; the meeting reconvened at 2:49 p.m.

PUBLIC RECORDS REQUEST DISCUSSION

Before continuing the review of draft governance policies, Mr. Ridge provided an overview of public records requests Energy Northwest receives. The agency previously averaged approximately 38 public records request each year (not including requests from the Physicians for Social Responsibility and McCullough Research). The vast majority of requests are only a couple of pages. The 40 current requests from PSR/McCullough Research far exceed this.

Mr. Ridge shared that for large requests, Energy Northwest calls the requester in an attempt to better define the focus. McCullough Research refused the opportunity to refocus the request. Therefore, this recent request will range from 95,000 to 150,000 documents. This is the biggest request the agency has ever received.

The current PSR/McCullough request is expected to cost Energy Northwest approximately \$1.5 to \$3 million. This cost estimate is based from the agency's previously largest records request in which there were 6,000 documents with an average of about \$14 per document to review.

The board questioned where the money to fulfill the current requests will come from. Since they are related to Columbia, they will be charged as such, which is charged to the BPA and ultimately, Northwest ratepayers.

Mr. Ridge then transitioned back to discussion the governance policies.

Committee Chair Sheldon moved to adopt the governance policies. Ms. Vaughn seconded the motion. MOTION CARRIED.

Ms. Vaughn congratulated the board and staff for all the hard work done behind the scenes. Chair Morrison agreed, as did Mr. Janda paying accolades to the board, Public Affairs and especially to Mr. Ridge for diligently putting everything together. Mr. Ridge expressed his appreciation for the board's commitment and hard work to complete the policies.

The meeting recessed at 3:48 p.m. for a short break; the meeting reconvened at 4:04 p.m.

REPORT ON BENCHMARKING WITH CALLAWAY

Ms. Kellett provided an informational presentation on a recent benchmarking trip. Ameren Corporation was identified as a leader in establishing policy surrounding the governance, oversight, support, and performance functions for the Callaway Plant.

Key forcing function activities were reviewed along with the main takeaways and recommendations.

COMMITMENT REVIEW/PROVIDE MAJORITY-BASED DIRECTION

No new commitments were added.

OTHER BUSINESS

Chair Sheldon confirmed with the board that the meeting's expectations were met.

Hearing no further discussion, the meeting recessed at 4:18 p.m. until dinner.

Respectfully submitted by,

Angela Smith
Board Relations

The Executive Board meeting convened at 6:00 p.m. for a social and dinner. Chair Sid Morrison called the meeting to order at 7:27 p.m. and welcomed all in attendance.

Roll Call:

Sid Morrison, Chair
Jack Janda, Vice Chair
Marc Daudon
Jim Moss
Skip Orser
Lori Sanders
Tim Sheldon
Kathy Vaughn

Others Present:

Board of Directors members Barney Burke, Jefferson County PUD; Linda Gott, Mason County PUD No. 3; Participants Review Board members S. Houston Okanogan PUD; and Susan Thraen, Missoula Electric Cooperative, Inc; and guest speaker Isaac Sine of JP Morgan.

Staff Present:

Mark Reddemann, Dale Atkinson, Bob Dutton, Brent Ridge and Pattie Lilly.

Chair Morrison welcomed all in attendance and guest presenter Isaac Sine, executive director at J.P. Morgan Securities in Seattle and Energy Northwest's lead underwriter on the current bond transaction that will price in April.

The presentation covered:

- Energy Northwest plays a vital role in the delivery of clean, reliable energy to the Pacific Northwest ratepayers
- Beyond the reliable, low cost energy, output, it has some unique characteristics that allow it to provide additional benefit to BPA's Tier 1 ratepayers

- Given the current access to U.S. Treasury Borrowing Authority, Bonneville forecasts running out of U.S. Treasury Borrowing Authority within its 10 year planning horizon
- BPA 10-Year Capital Plan

Discussion continued regarding rating agencies and their views, money well spent, the huge investment in transmission, replacing aging equipment and maintaining the grid and the following BPA Capital Tools:

- U.S. Treasury Borrowing
 - Availability is limited overall, and portions of funds have additional funding restrictions
- Transmission Lease Purchase
 - Can only fund certain types of projects, taxable interest rates
- Electric Prepays
 - Dependent on customer participation
- Conservation Financing
 - Limited to certain portions of the conservation program
- Revenue Financing
 - Regional discussion underway
- Columbia Extensions
 - Tax-exempt limited by tax analysis

Further discussion continued on BPA's history of paying debt, the effect on the ratepayers and the unique opportunity we have to pay off the tax exempt debt.

Mr. Sine continued stating that BPA's remedy, if additional debt capacity is not available, could include cutting capital, raising rates and/or going to Congress to borrow funds.

Brent Ridge, Vice President/Chief Financial and Risk Officer, and Isaac Sine wrapped up the dinner meeting with a discussion on: regional cooperation, the effect on rates, finding good solutions and novel ways to reduce cost.

Chair Morrison thanked Mr. Sine for his presentation and adjourned the dinner meeting at 8:30 p.m.

Respectfully submitted,

P. J. Lilly
Boards Program Manager

The regular Executive Board meeting reconvened at 8:03 a.m. on Thursday, March 20, 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

Co-Chair Gunkel opened the committee with two action items before the board.

SEED ROTOR PROJECT FUNDING APPROVAL

Alex Javorik, Vice President of Engineering, presented Action Memorandum No. 1220 requesting approval of the execution of a contract with Siemens Energy, Inc. to purchase a seed rotor as part of a plant uprate initiative to increase generation and ratepayer benefit. The new seed rotor would replace the three low pressure turbines, one at a time, replacing it with the seed rotor while the low pressure turbine is refurbished. Ultimately, all turbine casings will be refurbished, after which Columbia will have the seed rotor as a spare. Siemens Energy, Inc. is the successor to the original equipment manufacturer for Columbia's turbine, and is the only company that possesses the necessary proprietary technical data and manufacturing knowledge to supply the new replacement rotor.

Using a seed rotor and refurbishing the three low pressure turbines is expected to cost approximately \$32 million whereas replacing all three turbines to achieve this initiative would likely cost \$100 to \$200 million.

Mr. Dutton shared a few terms of the contract, specifically the consequences to the vendor if they are late on delivery, costing the vendor \$10,000 per day late. If the vendor is 31 days or more late, the vendor will pay Energy Northwest a lump sum of \$3.2 million.

Co-Chair Gunkel moved for adoption of Executive Board Resolution No. 1796 entitled, "A RESOLUTION AUTHORIZING THE EXECUTION OF A CONTRACT WITH SIEMENS ENERGY INC." as presented. Mr. Orser seconded the motion. Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1796 UNANIMOUSLY ADOPTED.

CHIEF NUCLEAR OFFICER REPORT

Mr. Javorik presented the Chief Nuclear Officer Report on behalf of Brad Sawatzke, Vice President, Nuclear Generation/Chief Nuclear Officer.

Key points included plant status, station focuses (including Corrective Action Program overview and load following strategy), upcoming events, Columbia performance indicators and load following.

CHEMICAL DECONTAMINATION OF REACTOR RECIRCULATIONS COOLING AND REACTOR WATER CLEANUP SYSTEMS

Diego Rolon, Maintenance project manager, presented Action Memorandum No. 1221 requesting Executive Board approval of the execution of a contract with Westinghouse Electric Company, LLC to implement a program to chemically treat the reactor recirculation cooling and reactor water cleanup systems during Refueling Outage 22. Westinghouse is the only company with access to the necessary proprietary information, specialized equipment and the methods licensed by the Electric Power Research Institute to perform the chemical decontamination, and

is the only company currently performing chemical decontamination services in nuclear power plants on safety related systems.

Co-Chair Gunkel moved for adoption of Executive Board Resolution No. 1797 entitled, "A RESOLUTION AUTHORIZING THE EXECUTION OF A CONTRACT WITH WESTINGHOUSE ELECTRIC COMPANY, LLC – COLUMBIA GENERATING STATION" as presented. Mr. Orser seconded the motion. Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1797 UNANIMOUSLY ADOPTED.

COMMITMENT REVIEW/PROVIDE MAJORITY-BASED DIRECTION

The following new commitments were added:

- Provide Mr. Moss with load following document– Pattie Lilly

OTHER BUSINESS

Mr. Reddemann mentioned an email was sent to employees that morning regarding organizational charges and that it would be forwarded to board members and general managers of the agency's member utilities.

Co-Chair Gunkel turned the meeting back over to Executive Board Chair Morrison.

MEETINGS

Chair Morrison announced the Energy Northwest Board of Directors will meet on April 23, 2014, followed by the Executive Board meetings on April 23 – 24, 2014, at the Holiday Inn Express in Pasco, Wash.

OTHER BUSINESS

Mr. Jones provided a brief update of current water conditions and BPA's involvement of daily calls regarding the Wanapam Dam cracks.

Mr. Moss presented the letter from Governor Inslee to the Executive Board appointing him to the Executive Board. Chair Morrison stated the board is honored to have Mr. Moss on the board.

Chair Morrison shared that April 21 appears to be the best day for a board tour of Columbia during the cask loading campaign. Several board members expressed interest.

Hearing no further discussion, Chair Morrison thanked everyone for attending and wished them a safe journey home. He adjourned the meeting at 10:15 a.m.

Respectfully submitted by,

Angela Smith
Board Relations