

**Minutes of the
Energy Northwest
Regular Executive Board Meeting
Holiday Inn Express – Vineyard Room
4525 Convention Place
Pasco, Wash.
Sept. 24 - 25, 2014**

Chair Sid Morrison called the regular meeting of the Executive Board of Energy Northwest to order at 10:54 a.m. in the Vineyard Room of the Holiday Inn Express in Pasco, Wash. There was a quorum present. An environmental analysis of the Sept. 24 - 25, 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

Executive Board Members

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

Others Present: Both days – Rowland and Co. – Shirley Reese and Jim Rowland; Mark Jones, Bonneville Power Administration; Blaine Johnson, PSAV; and Marie Morrison, Snohomish Public Utility District. **Wednesday only** – None. **Thursday only** – Board of Directors Member – Phil Lusk, City of Port Angeles; Kevin O'Meara, Public Power Council; Bonneville Power Administration – Jon Dull, Larry Felton, Javier Fernandez, Richard Genece, Mary Hawkens and Nancy Mitman.

Staff Present: Both days – Mark Reddemann, Brad Sawatzke, Brent Ridge, Grover Hettel, Alex Javorik, Bob Dutton, Jim Gaston, Dave Briggs, John Irvan, Steve Lorence, Mike Paoli, Laura Scheele, Angela Smith and Jeff Windham. **Wednesday only** – Carla Martinez, Bill Guldmond, Bob Schuetz and Marie Thomas. **Thursday only** – Karen Claussen, Kathleen Galioto, Ron Hogue, Cristina Reyff and Jeff Smith.

Regular Executive Board Meeting

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/Workshop – Aug. 27 – 29, 2014
- Special Executive Board/Compensation Subcommittee Meeting – Aug. 27, 2014

Ms. Linda Gott moved that the minutes be approved. Mr. Skip Orser and Ms. Kathy Vaughn both seconded. MOTION CARRIED.

Chief Executive Officer Report

Mark Reddemann, Chief Executive Officer, discussed the following: agency organization changes, demand response pilot project, Goizueta Directors Institute, industry CEO conference, upcoming Member Forum, Washington Nuclear Science Week, Public Power Week, Senate Energy, Environmental and Telecommunications Committee upcoming meeting, the Joint Select Task Force on Nuclear Energy upcoming meeting, the Carbon Emissions Reduction Taskforce, CEO recognition and high-level asset performance review.

A board member asked what outcomes would be seen as helpful to the interests of Energy Northwest and what inputs should the Executive Board provide the CEO in those areas regarding the two task forces?

Mr. Reddemann shared that the governor is expecting an ask from Energy Northwest and that he recommends the input comes from the Executive Board and therefore he would appreciate the Executive Board's feedback.

The board discussed remaining neutral on the carbon policy topic but developing and providing guiding principles which may include: Reliability cannot be comprised, Conflicting state policies need to be reviewed, Be protective of our rates, Need to have safety and Nuclear has to be a part of the solution.

Additionally, discussion evolved around Energy Northwest being part of the solution such as having a role in demand response and energy storage to meet targets.

Regarding the nuclear energy task force, the board discussed that there is likely no other organization better than Energy Northwest to take a position and make the case for nuclear energy in Washington state.

There was also discussion on potential challenges for developing generation projects that are more than 350 megawatts which is believed to be in a piece of legislation that says if the project is publically financed, it has to go to a vote of the people.

Mr. Reddemann committed to having staff draft a recommendation to be shared and discussed at next month's board meeting. He additionally said he would be contacting Executive Board members individually to get their input.

Other Business

Chair Morrison asked and assigned Mr. Dave Remington to be the September meeting critique lead.

The meeting recessed to get lunch at 11:45 a.m. and reconvened at 12:04 p.m.

Nuclear Oversight & Safety Committee Reports

Committee Chair Skip Orser opened the NOS Committee and turned it over to Mr. Brad Sawatzke, Vice President of Nuclear Generation / Chief Nuclear Officer.

Report from the Chief Nuclear Officer

Mr. Sawatzke introduced Bob Schuetz, the new plant general manager and recognized Bruce MacKissock for the work he's done as the past plant general manager.

Mr. Bob Schuetz had the opportunity to address the Executive Board sharing that he is happy to be here in Washington and at Energy Northwest.

Mr. Schuetz also thanked the leadership team for their mentorship, confidence and opportunity on the road to excellence stating that the organization is aligned, which is pretty amazing, and is great to be a part of.

He also thanked the Executive Board for their support in ensuring the agency has the tools and resources needed to get things done and asked that they continue that support.

Mr. Sawatzke then presented the Report from the Chief Nuclear Officer. Key points included status of the industry peer evaluation process, plant status, station focuses, significant operating experience, nuclear news, upcoming events and Columbia Generating Station performance indicators.

Hearing no additional questions or comments, the meeting recessed at 1:40 p.m. for a break; and reconvened at 1:55 p.m.

Comprehensive Valve Planning, Repair, Testing and Maintenance for R-22

Mr. Diego Rolon, Project manager, presented on comprehensive valve planning, repair, testing and maintenance for Refueling and Maintenance Outage 22. Key points included the objective of the project, cost of the project and scope of the project.

Discussion ensued regarding the project.

Committee Chair Orser moved to approve EXECUTIVE BOARD RESOLUTION NO. 1818 – a Resolution Authorizing the implementation of work release order No. 1 of Basic Ordering Agreement No. 341920 with Crane Nuclear, Inc. for comprehensive valve repair, testing, and maintenance services during refueling outage R-22 – Columbia Generating Station. Mr. Tim Sheldon seconded.

Chair Morrison opened the floor up for comments. Hearing none, Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1818 UNANIMOUSLY ADOPTED.

Commitment Review/Provide Majority-based Direction

No new commitments were added.

Hearing no additional questions or comments, Committee Chair Orser turned the meeting back to Chair Morrison who turned the meeting over to Administrative, Energy and Member Services Committee Chair Tim Sheldon.

Administrative, Energy & Member Services Committee Reports

Information Agenda Items

Committee Chair Sheldon opened the committee by reminding the board of the available reports on BoardDocs.

Public Power Week

Mr. Mike Paoli, Public Affairs manager, reminded the board that Oct. 5 – 11 is Public Power Week stating it is the 28th anniversary and recommended the board approve Resolution No. 1819 in support of Public Power Week.

Committee Chair Sheldon moved to approve EXECUTIVE BOARD RESOLUTION NO. 1819 – a Resolution supporting Public Power Week, October 5 – 11, 2014 – Energy Northwest. Ms. Lori Sanders seconded.

Chair Morrison opened the floor up for comments. Hearing none, Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1819 UNANIMOUSLY ADOPTED.

Calendar Year 2015 Board Meeting Schedule

Mr. Mike Paoli presented the proposed calendar year 2015 board meeting schedule. He reminded the board that in previous discussions, the board expressed interest to consider having a teleconference meeting in the month of May during outage years. May 2015 is in an outage year; therefore, Mr. Paoli asked Committee Chair Sheldon what the desire is for the board to consider having a teleconference in May of 2015. Committee Chair Sheldon opened the floor up for discussion.

Discussion ensued and the recommendation of the board is to have a May 2015 meeting scheduled as a teleconference 'To Be Determined.' If senior leadership has emergent issues to discuss, there will be a teleconference meeting, however, shorter than a typical in-person board meeting. If senior leadership does not have such issues to discuss, the meeting will be canceled.

Mr. Paoli recommended the Executive Board approve Motion 2014-23.

Committee Chair Sheldon moved MOTION 2014-23 that the Executive Board meeting schedule for Calendar Year 2015, dated Sept. 24, 2014, be adopted to include the May 27 – 28 meeting as a 'to be determined' teleconference. Mr. Jack Janda seconded.

Chair Morrison called for the question of those in favor of MOTION 2014-23. MOTION CARRIED.

Member Forum / Annual Report Update

Ms. Laura Scheele, Senior Public Affairs analyst, presented on the upcoming Member Forum stating that it will be held at the Red Lion in Kennewick, Wash. on Oct. 23 – 24, 2014.

Mr. Paoli presented on the progress on the fiscal year 2014 annual report.

EB Excellence in Governance Policy Amendments / Retire EB Rules

Mr. Brent Ridge, Vice President of Corporate Services and Chief Financial Officer, presented on Executive Board Excellence in Governance for policy amendments and retirement of the Executive Board Rules.

The board requested that all references to "EB" be spelled out as "Executive Board."

The board discussed staff recommendation to add part 'e' to Policy O-2.2 section seven which states directly from the Executive Board Rules:

"No interim Executive Board action will be taken on items involving serious policy decisions, or that would authorize staff action in substantial financial, physical or legislative matters, not previously specifically delegated, without first reaching an Executive Board consensus to be determined by conference call, letter or email, except in emergent conditions involving project or public safety or operations controlled by regulatory requirements."

The board agreed not to include the language above in the Executive Board Policies. Mr. Reddemann committed to having staff look at the Delegation of Authority to see if emergent conditions allows for the board chair to take such interim action.

Committee Chair Sheldon moved to approve EXECUTIVE BOARD RESOLUTION NO. 1820 – a Resolution retiring the rules of the Executive Board of Energy Northwest and adopting the amended Executive Board Policies. Mr. Jack Janda seconded.

Chair Morrison opened the floor up for comments. Hearing none, Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1820 UNANIMOUSLY ADOPTED.

Strategic Planning Updates – Review of FY16 future outlook / goals and SWOT

Mr. Ridge presented the fiscal year 2016 future outlook / goals and strengths, weaknesses, opportunities and threats (SWOT) updates based from the Executive Board direction at the August workshop. Executive Board direction for the future outlook / goals includes:

Energy Northwest

Now – 5 years

- Excellent stewardship of generating resources
- Expand Energy Northwest's role in the region
- Energy Northwest as a thought leader "at the table"

10 years

- Columbia top quartile performance
- Valued provider of energy solutions by region
- Valued thought leader on energy issues
- Involvement in small modular reactors

Columbia

Now – 5 years

- Higher performance / top quartile
- Operating safely and reliably with lower operating costs
- Strong leadership / employee development
- Evaluate Extended Power Uprate Decision

10 years

- Columbia top quartile performance
- Making needed capital investments
- Implement Extended Power Uprate

Energy Services and Development

Now – 5 years

Services & Operating Excellence

- Re-institute Facility Engineering and Construction business lines
- Environmental and Calibration labs recognized as a valued regional resource
- Improve EN's Joint Operating Agency model

Innovative Energy Solutions

- Prove Demand Response viability
- Develop community-based solar program
- Energy Northwest as a thought leader "at the table" on future energy technologies / programs

10 years

Services & Operating Excellence

- Complete early restoration of IDC Site 1 / consider IDC Site for SMR

Innovative Energy Solutions

- Regional leader in development and operation of new renewable generating resources
- Operate and maintain the SMR constructed through the Western Initiative for Nuclear
- Initiate the development of a significant generating resource

The meeting recessed at 3:30 p.m. for a break and reconvened at 3:55 p.m.

Executive Session per RCW 42.30.110(1)(g)

The meeting recessed at 3:56 p.m. for the purpose of holding a 30-minute Executive Session in accordance with RCW 42.30.110(1)(g). The meeting reconvened at 4:30 p.m.

Compensation Subcommittee Recommendations

Compensation Subcommittee Chair Dave Remington moved that the Executive Board approve MOTION 2014-22 stating that the Executive Board enter into the revised employment agreement with the Chief Executive Officer Mark E. Reddemann as discussed and recommended by the Compensation Subcommittee and Executive Board. Ms. Linda Gott seconded.

Chair Morrison called for the question of those in favor of MOTION 2014-22. MOTION CARRIED.

Commitment Review/Provide Majority-based Direction

- In the Executive Board Policies, spell out all references of "EB" – Angela Smith – October 2014
- Delete the recommended language in 'e' of Policy O-2.2 section seven which was taken directly from the Executive Board Rules – Angela Smith – October 2014
- Review the Delegation of Authority to see if emergent conditions allows for the board chair to take action – Bob Dutton – October 2014

Other Business

Ms. Linda Gott provided a NoaNet update. Key points included: at the regular August meeting NoaNet held a day and a half strategic planning workshop, at the September meeting the Moss Adams report went well, work started on an audit and expansion continues into the rural areas with the build out of cellular. NoaNet is seeing good revenue coming in from that expansion.

Ms. Gott also reported that NoaNet will participate in a Senate Energy, Environment and Telecommunications Committee workshop on Oct., 15 in Bellevue, Wash.

Hearing no additional questions or comments, Committee Chair Sheldon turned the meeting back to Chair Morrison who turned the meeting over to Audit, Legal and Finance Committee Chair Kathy Vaughn.

Audit, Legal & Finance Committee Reports

Information Agenda Items

Committee Chair Vaughn welcomed the Executive Board to the Audit, Legal and Finance Committee and also welcomed guest Marie Morrison from Snohomish Public Utility District.

FY 2015 Budget Amendments – Project 1 and Project 3

Mr. Jeff Windham, Treasury/Budget supervisor, presented on FY 2015 budget amendments for Project 1 and Project 3. Highlights included a background on recent bond transactions, funding requirements and budget amendment highlights stating that they will support the regional cooperation debt effort to repay higher rate federal debt and lower overall regional system costs.

Committee Chair Vaughn moved to approve EXECUTIVE BOARD RESOLUTION NO. 1816 – a Resolution approving and adopting Energy Northwest amended Nuclear Project 1 annual budget for fiscal year 2015.

AND

Committee Chair Vaughn moved to approve EXECUTIVE BOARD RESOLUTION NO. 1817 – a Resolution approving and adopting Energy Northwest amended Nuclear Project 3 annual budget for fiscal year 2015.

Ms. Lori Sanders seconded.

Chair Morrison opened the floor up for comments. Discussion ensued.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1816 and EXECUTIVE BOARD RESOLUTION NO. 1817 UNANIMOUSLY ADOPTED.

Executive Session per RCW 42.30.110(1)(i)

The meeting recessed at 4:51 p.m. for the purpose of holding a 30-minute Executive Session in accordance with RCW 42.30.110(1)(i). The meeting reconvened at 5:25 p.m.

Hearing no additional questions or comments, Committee Chair Vaughn turned the meeting back to Chair Morrison who recessed the meeting at 5:27 p.m. until dinner.

Regular Executive Board Dinner Meeting

The Executive Board reconvened at 6 p.m. for a social and dinner.

Chair Morrison introduced Sen. Sharon Brown, Paul Genoa with the Nuclear Energy Institute and Kelly Hays with Rep. Norma Smith's office. Chair Morrison then requested all meeting attendees introduce themselves.

Hearing no further discussion, Chair Morrison adjourned the dinner meeting at 8 p.m.

Regular Executive Board Meeting (cont'd)

The regular Executive Board meeting reconvened at 7:30 a.m. on Thursday, Sept. 25, 2014 by Executive Board Chair Morrison who immediately turned the meeting back over to ALF Committee Chair Vaughn to continue the ALF Committee Reports.

Mr. Ridge introduced Ron Hogue, Asset manager/controller; Cristina Reyff, Business Planning and Risk manager; and Marie Thomas, Business Strategy and Risk supervisor as part of the newer management team for Asset Management.

Mission Critical Risk Updates

Ms. Cristina Reyff presented on mission critical risk updates. Key points included: the Enterprise Risk Management Program, common risk language, mission critical risk assessment and process, future steps and mission critical risks selected for oversight.

Mr. Reddemann also committed to the Executive Board to provide mission critical risks to the board prior to the next Strategic Planning Workshop for fiscal year 2017.

Vendor Contract Audit Report & Management Response

Ms. Karen DeMartini from Protiviti presented on the vendor contract audit report. Key points included vendor contracts and agreements audit overview, approach, results and key themes.

Mr. Daniel Dale, Supply Chain Services manager, presented on the management response to the vendor contract audit report. Key points included management's general audit comments and management's plan to address observations.

FY 2014 Financial Audit and Management Response

Mr. Rob Helmholtz and Ryan Vanoostrum both from PricewaterhouseCoopers, presented on the fiscal 2014 financial audit. Key points included the results of the 2014 audit which includes issuing an unqualified opinion on the financial statements of the business units of Energy Northwest and its Internal Service Fund, areas of focus and required communications.

Mr. Jeff Smith, Finance manager, presented on the management response to the FY14 financial audit. Key points included key areas of the financial audit background and management's perspective.

Committee Chair Vaughn moved to approve MOTION 2014-21 that the Preliminary Draft of Energy Northwest's Financial Statements and Related Notes as of June 30, 2014, along with the required Management's Discussion and Analysis (MDA) and the related report of PricewaterhouseCoopers LLP, substantially in the form as attached to Action Memorandum No. 1231, be approved for publication. Mr. Orser seconded.

Chair Morrison called for the question of those in favor of MOTION 2014-21. MOTION CARRIED.

Hearing no additional questions or comments, the meeting recessed at 9:15 a.m. for a break; the meeting reconvened at 9:36 a.m.

Public Process and Participation in Rate Setting

Mr. Ridge introduced Ms. Nancy Mitman, Vice President and Chief Financial Officer at BPA who shared a few opening comments and introduced Ms. Mary Hawkens, Analysis and Requirements manager at BPA.

Ms. Hawkens presented on the public process and participation in rate setting. Highlights included power and transmission revenue requirements, BPA's public process timeline, capital investment review, integrated program review, debt management meeting, initial and final proposal, and quarterly business review.

Conservation Financing

Mr. Ridge made introductions of the conservation financing presenters from the Bonneville Power Administration and Franklin Public Utility District; and the timeline for these related discussions during the next several months.

Mr. Richard Genece, Vice President, Energy Efficiency at BPA, presented on energy efficiency at BPA. Key points included BPA's role in energy efficiency, resource cost comparison, regional cumulative achievements, public power cumulative achievements, annual value of BPA's energy efficiency, investment over expected measure life, the energy efficiency process, BPA funded acquisition budgets, integrated program review proposed expense spending levels, BPA's energy savings, BPA savings summary, BPA savings estimates, regional programs and current priorities.

Discussion ensued on the topics presented. The board requested additional information regarding:

- Low income weatherization and tribal fund
- What is the legacy programs expense?
- Clarity on slide 13 from Mr. Genece's presentation
- What is NorPac?
- Provide list of investors who do green bonds

Mr. Javier Fernandez, treasurer at BPA, presented on third party conservation financing. Discussion ensued around the BPA-backed bond model.

The meeting recessed at 11:30 a.m. for lunch and reconvened at 11:45 a.m.

Conservation Financing Perspective

Mr. Ed Brost, general manager, Franklin PUD, presented his perspective on the post 2011 conservation review which included debt conservation is not something he would recommend to his commission. Additionally, he shared that although it may provide lower rates in the short term, there will be higher rates later that the region will have for a longer period of time.

Discussion ensued.

Commitment Review/Provide Majority-based Direction

The following new commitments were added:

- Provide mission critical risks to the Executive Board prior to the next Strategic Planning Workshop – Cristina Reyff – prior to August 2015 Strategic Planning Workshop for FY17
- Provide the board additional information on the topics below – Richard Genece, BPA
 - Low income weatherization and tribal fund
 - What is the legacy programs expense?
 - Clarity on slide 13 from Mr. Genece's presentation
 - What is NorPac?
 - Provide list of investors who do green bonds

Hearing no additional business, Committee Chair Vaughn turned the meeting back to Chair Morrison.

Regular Executive Board Meeting (cont'd)

Upcoming Meetings

Chair Morrison reminded the board that the October Executive Board Meeting will be held on Oct. 22 and 23, 2014, at the Red Lion Hotel in Kennewick, Wash. Additionally, the annual Member Forum will be at the same location starting after the board meetings on Oct. 23 and running until the early afternoon on Oct. 24.

BPA Report

Mr. Mark Jones, acting PGC manager at BPA provided a brief update of current water conditions and other BPA-related information.

Staff Announcements

Mr. Paoli reminded the board of the Joint Select Task Force on Nuclear Energy meeting following the board meeting. He also reminded board members that they are invited to Energy Northwest's Safe Day Event being held on Sept. 30 and also invited board members to upcoming member visits on Oct. 14 at Clark Public Utilities and Klickitat PUD.

Meeting critique

Mr. Dave Remington provided the Executive Board meeting critique, and asked staff to provide notification of when materials are available for upcoming board meetings.

Discussion ensued on the audit presentation and what staff can do better or different when presenting the information. The board requested the audit presenters to speak in plain language.

Commitment Review/Provide Majority-based Direction

The following new commitments were added:

- Allow time for board discussion on what the board's request is on behalf of Energy Northwest of the two Governor task forces (Joint Select Task Force on Nuclear Energy and Carbon Emissions Reduction Taskforce); and ensure this discussion is on Wednesday at the next board meeting – Angela Smith – October 2014 Executive Board meeting
- Staff draft a recommendation for the Executive Board of what the requests should be – Mike Paoli – October 2014 Executive Board Meeting

Hearing no further discussion, Chair Morrison adjourned the meeting at 12:45 p.m.

Respectfully submitted by,

Angela Smith
Board Relations