

**Minutes of the  
Energy Northwest  
Executive Board Meeting  
Three Rivers Convention Center  
7016 Grandridge Blvd. – Meeting Room A-D  
Kennewick, Wash.  
Oct. 26 – 27, 2016**

Chair Sid Morrison called the meeting of the Executive Board of Energy Northwest to order at 8 a.m. on Oct. 26, 2016 in Meeting Room A-D of the Three Rivers Convention Center, Kennewick, Wash. There was a quorum present. An environmental analysis of the 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	Present
Jack Janda, Vice Chair	Present
Lori Sanders, Secretary	Present
Linda Gott, Assistant Secretary	Present
Marc Daudon	Absent
Jim Moss	Present
Skip Orser	Present
Will Purser	Present
Dave Remington	Absent
Tim Sheldon	Present
Kathy Vaughn	Present

**Others Present:** Board of Directors Members – Doug Aubertin, Carnan Bergren, Terry Brewer, Barney Burke, Steve Houston, Curt Knapp, Bob Jungers, Jim Malinowski, Judy Ridge, Chuck TenPas; Participants Review Board members – Stu Nelson, Mark Platt and Garry Rosman; Reese Government Relations – Shirley Reese; Rowland Co. – Jim Rowland; PSAV – Blaine Johnson; Bonneville Power Administration – Phil Smith, Cherie Sonoda and Wayne Todd; Protiviti – Christine Fitzgerald and Ben West; Foster Pepper – Nancy Neraas; and Baker Tilly – Russ Hissom.

**Staff Present:** Mark Reddemann; Brad Sawatzke; Brent Ridge; Grover Hettel; Bob Dutton; Jim Gaston; Mike Paoli; Dave Briggs; Kent Dittmer; Juliet Fitzpatrick; Carl Golightly; John Irvan; David Jordan; Karen Kessler; Dean Kovacs; Carla Martinez; Cristina Reyff; Angela Smith; Jeff Smith; Vicki Watilo; Cindy Way; and Jeff Windham.

## **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:

- Special Executive Board Meeting – Sept. 26, 2016

Mr. Jack Janda moved that the minutes be approved. Mr. Will Purser seconded. MOTION CARRIED.

- Special Compensation Subcommittee Meeting – Sept. 26, 2016
- Special Ad Hoc Subcommittee Meeting – Oct. 10, 2016

Mr. Tim Sheldon moved that the minutes be approved. Mr. Skip Orser seconded. MOTION CARRIED.

### **Other Business**

Chair Morrison asked Mr. Jim Moss to conduct the meeting critique for the October board meeting.

### **Meritorious Service Award Recommendations**

Mr. Mark Reddemann provided two recommendations to the Executive Board for the EB's Meritorious Service Award.

Mr. Jack Janda moved to approve the two submissions by the CEO. Ms. Kathy Vaughn seconded. MOTION CARRIED.

Staff will arrange for the awards to be presented at the December meeting.

### **Nuclear Oversight & Safety Committee Reports**

Committee Chair Skip Orser opened the Nuclear Oversight and Safety Committee.

### **Refuel and Maintenance Outage Inspection, Maintenance and Repair Services**

Mr. Greg Sponholtz, Supply Chain Services manager, presented the recommended action for the refuel and maintenance outage inspection, maintenance and repair services. Key highlights included: project scope; bidding process; and recommended contractor. Discussion ensued.

### **Resolution No. 1896**

Committee Chair Orser moved to approve Resolution No. 1896 – a resolution authorizing the execution of a contract work release order with Siemens Energy, Inc. to provide inspection, maintenance and repair services for Westinghouse steam turbine, generator and auxiliary components in support of refueling and maintenance outage 23 – Columbia Generating Station. Ms. Linda Gott seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1896 UNANIMOUSLY ADOPTED.

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

No new commitments were added.

**Audit, Legal & Finance Committee Reports**

**Information Agenda Items**

Committee Chair Kathy Vaughn welcomed the Executive Board to the Audit, Legal and Finance Committee.

**Flex Benefits Contracts**

Ms. Cindy Way, Compensation and Benefits administrator, presented on the Flex Benefits Contracts. Highlights included the 2017 benefits cost and related changes. Discussion ensued.

**RESOLUTION NO. 1889**

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1889 – a Resolution authorizing the execution of contracts to implement the employee flexible benefits plan for calendar year 2017 and to participate in the Washington state insurance plans – Energy Northwest. Mr. Jack Janda seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1889 UNANIMOUSLY ADOPTED.

**Quarterly Cost Reviews – Columbia / Energy Services & Development**

Mr. Kent Dittmer, Asset manager / controller, presented the quarterly cost reviews for Columbia Generating Station. Highlights included: Columbia was under budget by 5.75 percent for the first quarter of Fiscal Year 2017 of the approved Operations and Maintenance and Capital budgets for Columbia; Columbia's cost of power is under budget.

Mr. Jeff Windham, Treasury & Budgets supervisor, presented the quarterly cost reviews for Energy Services and Development. Highlights included: O&M budget for Packwood is under budget while cost of power is over budget; O&M budget for Nine Canyon is under budget as well as the cost of power; and the Business Development Fund actual margin is less than budgeted.

**Line of Credit**

Mr. Windham presented the line of credit request. Key highlights included: overview of line of credit; total line of credit for all three projects is \$500 million; and the recommendation.

Mr. Brent Ridge, Vice President for Corporate Services and Chief Financial Officer provided an overview of the trend and business case.

RESOLUTION NO. 1893

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1893 – a Resolution of the Executive Board of Energy Northwest authorizing a loan agreement with Bank of America, N.A.; establishing a line of credit to provide interim financing for a portion of debt service on certain outstanding Project 1 revenue bonds; and authorizing the issuance of an electric revenue bond anticipation note in the principal amount of not to exceed \$44,000,000 to evidence and secure Energy Northwest’s obligations under loan agreement. Mr. Jack Janda seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1893 UNANIMOUSLY ADOPTED.

RESOLUTION NO. 1894

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1894 – a Resolution of the Executive Board of Energy Northwest authorizing a loan agreement with Bank of America, N.A.; establishing a line of credit to provide interim financing for operations and maintenance expenses of Columbia Generating Station revenue bonds; and authorizing the issuance of an electric revenue bond anticipation note in the principal amount of not to exceed \$405,000,000 to evidence and secure Energy Northwest’s obligations under loan agreement. Ms. Linda Gott seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1894 UNANIMOUSLY ADOPTED.

RESOLUTION NO. 1895

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1895 – a Resolution of the Executive Board of Energy Northwest authorizing a loan agreement with Bank of America, N.A.; establishing a line of credit to provide interim financing for a portion of debt service on certain outstanding Project 3 revenue bonds; and authorizing the issuance of an electric revenue bond anticipation note in the principal amount of not to exceed \$51,000,000 to evidence and secure Energy Northwest’s obligations under loan agreement. Ms. Lori Sanders.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1895 UNANIMOUSLY ADOPTED.

**FY17 Budget Amendments**

Mr. Windham presented the Fiscal Year 2017 budget amendments. Key highlights included: acceleration of federal debt repayment; Independent Spent Fuel Storage Installation and recommendation.

RESOLUTION NO. 1890

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1890 – a Resolution approving and adopting Energy Northwest amended annual budget for Fiscal Year 2017 for Nuclear Project 1. Mr. Tim Sheldon seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1890 UNANIMOUSLY ADOPTED.

RESOLUTION NO. 1891

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1891 – a Resolution approving and adopting Energy Northwest amended annual budget for Fiscal Year 2017 for Columbia Generating Station. Ms. Lori Sanders seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1891 UNANIMOUSLY ADOPTED.

RESOLUTION NO. 1892

Committee Chair Vaughn moved to approve Executive Board Resolution No. 1892 – a Resolution approving and adopting Energy Northwest amended annual budget for Fiscal Year 2017 for Nuclear Project 3. Ms. Lori Sanders seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1892 UNANIMOUSLY ADOPTED.

The meeting recessed for a break at 9:05 a.m. and reconvened at 9:22 a.m.

**Cyber Security Audit Results**

Mr. Ben West, Protiviti, presented the results of the cyber security audit. Key highlights included the scope and approach of the audit. Key takeaways included: when comparing EN against other Protiviti clients, EN scores above average; EN has a very comprehensive general awareness and job-specific trainings for employees, especially for privileged and security-related roles; EN has detailed roles and responsibilities for incident response procedures; EN has thorough organizational and project level risk assessment templates on its Enterprise Risk Management SharePoint site; and remediation efforts are on track from a recent business continuity review. Audit observations included ratings from low to moderate with an overall acceptable risk ranking.

**Management Response: Cyber Security Audit Results**

Mr. Dean Kovacs, Information Services manager and Chief Information Officer, presented management's response to the cyber security audit. Key highlights included: management

agrees with the assessment and developed action plans to address each of the observations; Protiviti agreed with EN's actions; all actions will be completed by Sept. 30, 2017; and a review of each observation and EN's proposed action plan to resolve.

### **Audit Rating Change**

Ms. Christine Fitzgerald, Protiviti, presented an updated approach to audit risk ratings. Highlights included: reasons behind the proposed change; the changes recommended; and application of changes.

### **Alternative Concerns Program**

Mr. Bob Dutton, General Counsel and Chief Ethics Officer, presented the proposed alternative concerns program process. Key highlights included: approach; proposed flow chart; and summary of the recommended policy. Discussion ensued.

### **Motion 2016-23**

Committee Chair Vaughn moved to approve Motion 2016-23 – it is moved that the Executive Board of Energy Northwest adopt the alternative concerns program as discussed at the Oct. 26, 2016 Executive Board meeting. Ms. Lori Sanders seconded. MOTION CARRIED.

Mr. Reddemann shared with the board that a letter was emailed to him yesterday from a former employee with the request that it is provided to the Executive Board. Mr. Reddemann said that he provided the letter to Chair Morrison.

Chair Morrison provided a high-level overview of the letter and asked that Mr. Skip Orser and the Ad Hoc Subcommittee handle the letter until a standing Ad Hoc Subcommittee is created.

The meeting recessed for lunch at 11:04 a.m. and reconvened at 11:52 a.m.

### **Fiscal Year 2016 Baker Tilly Financial Audit**

Mr. Russ Hissom, Baker Tilly, presented the Fiscal Year 2016 financial audit report. Highlights included: Audit overview; assessment of internal controls found no material weakness or significant deficiencies in controls; audit approach is in accordance with Generally Accepted Audits Standards and Government Auditing Standards; required communications; and closing thoughts.

### **Management Response: Baker Tilly Financial Audit**

Ms. Karen Kessler, Financial Accounting supervisor, presented management's response on the financial audit. Highlights included: major areas audited; audit results recap including an unmodified opinion, no material weaknesses, no significant deficiencies and no control deficiencies; how it applies to the Excellence Model; and summary.

### **MOTION 2016-21**

Committee Chair Vaughn moved that the Preliminary Draft of Energy Northwest's Financial Statements and Related Notes as of June 30, 2016, along with the required Management's Discussion and Analysis (MDA) and the related report of Baker Tilly Virchow Krause, LLP,

substantially in the form as attached to Action Memorandum No. 1273, be approved for publication. Mr. Jim Moss seconded. MOTION CARRIED.

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

- Update board notification protocol to include an audit issue level ranking that might trigger a notification – look at audit notification in the coming months – Cristina Reyff

Mr. Janda asked the Executive Board to provide input for any audits the board would like done this year.

## **Administrative, Energy & Member Services Committee Reports**

### **Information Agenda Items**

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

### **Packwood Transmission**

Mr. Jim Gaston, general manager, Energy Services & Development, presented the proposed action of Packwood Transmission. Highlights included: overview of EN's transmission service agreement with Lewis County PUD to transport the energy generated at Packwood to the BPA point of delivery; Lewis made significant capital investments during the past five years; the adjusted annual wheeling charge was presented to the Packwood Participants in September 2016 with no objections voiced; new agreement was set to take effect on Oct. 24, 2016.

### **RESOLUTION NO. 1897**

Committee Chair Sheldon moved to approve Executive Board Resolution No. 1897 – a Resolution authorizing the execution of a contract amendment with the public utility district No. 1 of Lewis County for the Packwood Hydroelectric Project. Ms. Kathy Vaughn seconded.

Chair Morrison opened the floor up for comments.

Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1897 UNANIMOUSLY ADOPTED.

### **Public Affairs Update**

Mr. Mike Paoli, Public Affairs manager and Chief Communication Officer, presented an update of Public Affairs activities. Highlights included: FY17 – 19 Public Affairs initiatives; FY16 research assessment; FY17 goal; strategies; recent and upcoming targets; measuring excellence; and FY17 resources.

### **Nebraska Public Power District Benchmarking**

Ms. Carla Martinez, Public Affairs assistant manager, presented the Nebraska Public Power District benchmarking. Highlights included: recommendation to benchmark NPPD in April 2017 and an overview of EN's staff's benchmarking trip report. Discussion ensued.

Ms. Martinez proposed executive board members let Chair Morrison know of their interest. Staff will bring information back during the December meeting.

The meeting recessed for a break at 12:51 p.m. and reconvened at 1:08 p.m.

### **Strategic Plan Quarterly Update**

Ms. Cristina Reyff, Business Planning and Risk manager, presented the quarterly update for strategic planning. Key points included: High level Fiscal Year 2017 performance indicators for each of the Focus Areas and a detailed review of two Focus Areas including Safety First and Nuclear Excellence. Ms. Reyff also shared an update on the Fiscal Year 2018 Strategic Planning progress.

### **Vision / Mission Approval; Customer Discussion**

Mr. Ridge, reviewed the board's discussion during the August workshop to revise the Energy Northwest vision and mission as follows:

#### Proposed vision

A regional leader in clean power generation and energy solutions through sustained excellence in performance and innovation.

#### Proposed mission

Provide our public power members and regional customers with safe, reliable, cost-effective, responsible power generation and energy solutions.

Additionally, discussion ensued on who "customers" may include specific to the added reference in the mission.

### **Motion 2016-18**

Committee Chair Sheldon moved to approve Motion 2016-18 – it is moved that the Executive Board of Energy Northwest adopt the amendments of the Energy Northwest vision statement as discussed at the Aug. 24 – 26, 2016 Executive Board meeting. Mr. Jim Moss seconded. MOTION CARRIED.

### **Motion 2016-19**

Committee Chair Sheldon moved to approve Motion 2016-19 – it is moved that the Executive Board of Energy Northwest adopt the amendments of the Energy Northwest mission statement as discussed at the Aug. 24 – 26, 2016 Executive Board meeting. Ms. Linda Gott and Ms. Kathy Vaughn seconded. MOTION CARRIED.

### **Notification Protocol**

Mr. Ridge provided a background on the notification protocol as discussed at the December 2015 and August 2016 meetings. Staff incorporated the Executive Board's feedback and recommended the revised notification protocol be approved and adopted as a supporting policy. Additionally, based on the request from the board, staff proposed several events that warrant an initial text message.



Mr. Barney Burke suggested the events and topics identified in the notification protocol also be shared with the Board of Directors and Participants Review Board. Discussion ensued and it was decided to bring the information to the BOD and PRB during their meetings on Oct. 27, with the expectation that the protocol would be brought to the next meeting for adoption into their board rules.

#### Motion 2016-22

Committee Chair Sheldon moved to approve Motion 2016-22 – it is moved that the Executive Board of Energy Northwest adopt the amendments of the Executive Board Policies pertaining to Notification Protocol as discussed at the Oct. 26, 2016 Executive Board meeting. Mr. Skip Orser seconded. MOTION CARRIED.

### **Regional Meeting Updates**

#### Public Power Council

Mr. Jack Janda and Committee Chair Sheldon provided a briefing from the last Public Power Council meeting.

#### Northwest Power and Conservation Council

Committee Chair Sheldon provided a briefing from the last Northwest Power and Conservation Council meeting.

#### NoaNet

Mr. Will Purser was unable to attend the last NoaNet meeting and asked that Ms. Linda Gott provide a briefing. In addition to the briefing provided by Ms. Gott, she shared that Energy Northwest's representative Don Queen is retiring in December and therefore will no longer attend the meetings. Mr. Ridge shared that Dean Kovacs will be appointed as the new EN rep.

#### Corporate Nuclear Safety Review Board

Ms. Kathy Vaughn and Mr. Will Purser provided an overview of the recent Corporate Nuclear Safety Review Board meeting.

#### San Francisco – Financial Due Diligence Trip

Ms. Kathy Vaughn provided an overview of the recent financial due diligence trip to San Francisco.

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

- April Benchmarking trip interest – Board Relations

### **Regular Executive Board Meeting (*cont'd*)**

#### **Executive Session**

Chair Morrison called a two hour executive session beginning at 2:40 p.m. in accordance with: RCW 42.30.110(1)(f):

To receive and evaluate complaints or charges brought against a public officer or employee. However, upon the request of such officer or employee, a public hearing or a meeting open to the public shall be conducted upon such complaint or charge.

And

RCW 42.30.110(1)(i):

To discuss with legal counsel representing the agency matters relating to agency enforcement actions, or to discuss with legal counsel representing the agency litigation or potential litigation to which the agency, the governing body, or a member acting in an official capacity is, or is likely to become, a party, when public knowledge regarding the discussion is likely to result in an adverse legal or financial consequence to the agency.

The executive session ended at 3:45 p.m.; and the meeting recessed for a break.

The meeting reconvened as an open public meeting at 3:55 p.m.

The Executive Board discussed three commitments to include:

1. Provide industry information to board members (E.g., NEI Briefs) – Board Relations
2. Provide recommended schedule of nuclear and regulatory training opportunities to the board – Skip Orser – December 2016 EB meeting
3. Discuss opportunities for board interactions with other utility boards – Skip Orser – December 2016 EB meeting

### **Upcoming Meetings**

Chair Morrison reminded the board that the next meeting will be Dec. 14 – 15, 2016 at Energy Northwest's Multi-Purpose Facility in Richland, Wash.

### **Meeting critique**

Mr. Jim Moss provided the Executive Board meeting critique for the month of October.

Hearing no further discussion, Chair Morrison recessed the meeting for the day at 4:17p.m.

The Executive Board meeting reconvened on Thursday, Oct. 27, 2016 at 7:33 a.m.

See joint governing boards, BOD and PRB meeting minutes for Oct. 27, 2016.

The meeting adjourned at 11:19 a.m. on Thursday, Oct. 27, 2016.

Respectfully submitted by,

Angela Smith  
Board Relations