

**MINUTES OF THE  
ENERGY NORTHWEST  
REGULAR EXECUTIVE BOARD MEETING  
MULTIPURPOSE FACILITY – GLENN C. WALKLEY ROOM  
3000 GEORGE WASHINGTON WAY  
RICHLAND, WASHINGTON**

**DECEMBER 11 - 12, 2013 – Immediately following lunch but no earlier than 11:30 a.m.**

The regular meeting of the Executive Board of Energy Northwest was called to order by Chair Sid W. Morrison at 12:00 p.m. There was a quorum present. An environmental analysis of the December 11, 2013, 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 W. Morrison, Chairman  
Marc Daudon  
Dan Gunkel  
Jack Janda  
Skip Orser  
Will Purser  
Lori Sanders  
Tim Sheldon  
Kathy Vaughn

**Others Present:**

Both days: Participants Review Board member S. Houston, Okanogan County PUD; Board of Directors member J. Ridge, Asotin County PUD; A. Rapacz, Bonneville Power Administration; and B. Johnson, PSAV Audio Services.

Wednesday only: Participants Review Board members M. Caird, Inland Power & Light Cooperative, Inc.; K. Denison, Mason County PUD No. 1; S. Nelson, Franklin County PUD; and P. Rogers, Kittitas County PUD; and T. McMahon, IBEW Local #77.

Thursday only: N. Neeras, Foster Pepper; Protiviti representatives K. Demartini (in person) and J. Hammer and P. Petit (via teleconference); and Legislative Liaisons S. Reese and J. Rowland.

**Staff Present:**

Both days: M. Reddemann, D. Atkinson, D. Briggs, R. Dutton, G. Hettel, P. Lilly, M. Paoli, B. Ridge, B. Sawatzke, L. Willey and S. Barwick.

Wednesday only: M. Armenta, K. Claussen, D. Dale, K. Dittmer, S. Praetorius, and J. Smith.

Thursday only: J. Windham.

Mr. Atkinson led the group in the pledge of allegiance.

### **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 minutes of the following meetings were presented for consideration:

- Special Joint Meeting of the Board of Directors and Executive Board – October 23, 2013
- Regular Executive Board Meeting – October 23, 2013

Ms. Vaughn moved that the regular minutes be approved as presented. Ms. Sanders seconded the joint motion. MOTION CARRIED.

### **REPORT FROM CHIEF EXECUTIVE OFFICER**

M. Reddemann, Chief Executive Officer, stated that Governor Inslee recently appointed James Moss as the third gubernatorial Executive Board member to a term that will expire in June 2014. Mr. Moss has a strong background in labor. He will attend his first meeting in January in Corvallis.

Mr. Reddemann thanked board members for their support of this year's Member Forum, which from the feedback he has received, was the strongest event to date with ratings of the 15 presenters on a scale of 1 to 5, in the range between 3.7 and 4.7.

Mr. Reddemann reported on his recognition of 12 employees at last month's CEO recognition lunch, Energy Northwest's accomplishment of working 10 million hours without a lost-time injury, and this year's Head Start program, which ensured that nearly 400 local children received holiday gifts.

Mr. Reddemann reviewed the high-level asset performance of Columbia Generating Station, Packwood Lake Hydroelectric Project, Nine Canyon Wind Project and Energy/Business Services since last month.

Chair Morrison turned the meeting over to Nuclear Safety and Oversight Committee Co-Chair Dan Gunkel.

**NUCLEAR OVERSIGHT AND SAFETY COMMITTEE REPORTS****CHIEF NUCLEAR OFFICER REPORT**

B. Sawatzke, Vice President. Nuclear Generation/Chief Nuclear Officer, reported that Columbia is on line in the 169<sup>th</sup> day of the current run; the next refueling outage is scheduled for May 2015.

Mr. Sawatzke reviewed plant concerns with respect to circulating water pump motor 1A, reactor water clean-up system and station focus on safety-related room coolers and mid-cycle assessment. He provided a brief overview of the December 2<sup>nd</sup> Regional Office drop-in visit and reviewed upcoming events. Discussion ensued with respect to the focus areas of Energy Facility Site Evaluation Council on-site audits.

Mr. Sawatzke summarized performance indicators; discussion ensued regarding reactivity management, equipment reliability and station risk management. Mr. Sawatzke committed to providing an overview of station risk management performance indicators, definitions, etc. to the next board meeting.

Recently elected Participants Review Board member Susan Thraen advised that she is thoroughly impressed with the way Energy Northwest has turned station performance around and indicated that her first impression is very positive.

The meeting was recessed at 1:46 p.m. for a short break; the meeting was reconvened at 2:01 p.m.

**R-21 OUTAGE LESSONS LEARNED**

G. Hettel, Vice President, Operations, reported that the R-21 outage assessment was performed by a large cross-functional team of composed of operations and various departments personal. An extensive detailed analysis was done in addition to and individual interviews. He indicated that nine opportunities to achieve excellence standards were identified.

Mr. Hettel reviewed outage records, including:

- Low dose for hydrogen water chemistry – 179.3 rem (third lowest ever)
- No lost-time or restricted injuries
- Lowest number of first aid injuries - 24
- Lowest OSHA recordable injuries - 1
- No site event-free clock resets

In addition, he reported on assessment findings and actions, as follows:

- Site organization alignment, engagement and communications
  - Communications – sat down with department managers to provide outage expectations

- Dedicated resources – treat outage as a core business activity – every worker has an outage job
- Accountability to process and standards – high impact teams (HIT) – assigned an owner and team to overcome challenges and reviewed expectations with the teams
- Pre-outage milestone adherence
  - Dedicated resources – schedule development could be improved by having full-time, dedicated operations and maintenance personnel
  - Quality vs. quantity – assign additional quality checks to the milestone closure process
- Scope variance
  - Right scope/right priorities – in a few cases, corrective work orders and preventive maintenance conflicted
  - Process and standards – in some cases, work productivity goals were not met; removal and addition of work created churn which impacted planning, supply chain, clearance orders and scheduling
- Schedule development
  - Dedicated resources
  - Improved engagement, process knowledge and skills, dedicated resources and work package quality helped to identify missing and/or incorrect logic ties
- Work package quality
  - Varied level of detail from package to package
  - Validation of estimated hours could be improved in some cases
  - Level of detail in walk-down – need more in-depth pre-work walk-downs
- Staffing and fatigue hour rules
  - Turnovers and continuity – worker productivity was lower than estimated; USA craft were limited in the work they could perform

Discussion ensued regarding general and specific training, impacts of fatigue hour rules, planning and worker efficiency.

Mr. Hettel wrapped up his presentation with a review of the following the assessment findings and actions:

- Outage command and control
  - Communications and priorities – the site should formalize the maintenance room communications; inter-communication of system window owners to assist in window closure is needed

- Modifications and projects
  - Fast-track projects – site should formalize the requirement for walk-downs of new modifications with operations and maintenance department earlier in the process; there were a few errors between the design drawings and the as-found conditions in the field
- Supplemental worker performance
  - Vendor rework – rework was required during start-up of reactor feedwater turbines and pumps; main steam bypass valves had hydraulic leaks that had to be repaired during start-up; Williams head exchanger rework of the main generator stator coolers was identified during start-up

In conclusion, Mr. Hettel advised that although the outage duration goal was not achieved, the outage was completed with safety in the lower top to higher middle quartile. Mr. Reddemann added that the goal was to complete the outage safely, reliably, predictably. He noted it was completed safely and reliably but not predictably and indicated that predictability will come in the future as that is an area of concentrated focus.

The meeting was recessed at 2:55 p.m. for a short break; the meeting was reconvened at 3:17 p.m.

#### MODIFICATION TO GLOBAL NUCLEAR FUELS CONTRACT

M. Armenta, Reactor/Fuels Engineering Manager, presented Action Memorandum No. 1217 requesting Executive Board approval for the extension of the nuclear fuel fabrication services contract for Columbia to include the 2017 reload, and to change fuel design from the current GE 14 fuel design to the higher performing GNF2 fuel design.. He provided a background of the contract with Global Nuclear Fuels (GNF) since 2007 for fabrication services.

Mr. Armenta advised that approval from the U.S. Nuclear Regulatory Commission is required to change fuel suppliers, and that the time required to complete a new vendor fuel transition requires 12 months more than was originally anticipated due to expanded U.S. Nuclear Regulatory Commission review. The increased time requirement would require a significantly shorter evaluation period of the proposals, an accelerated licensing analysis by a new fuel vendor and a short regulatory review period, all of which could result in delayed regulatory approval and consequently a delay the startup from the 2017 refueling outage.

Mr. Armenta also advised of the desire to implement the measurement uncertainty recapture (MUR) program for Columbia in 2017. Discussion ensued regarding measurement uncertainty margins and the benefits of more exact instrument measurements, which would allow for running the reactor at a higher thermal rate which provides approximately 18 megawatts of additional electricity.

Mr. Atkinson advised that Columbia has the option to extend the existing fuel contract, commence the fuel fabrication procurement process and meet the increased time

requirements starting with the 2019 reload and load the more efficient GNF 2 fuel design in 2015 under the existing contract. In addition, changing to the more efficient GNF fuel design would save approximately \$4.1 million or more in fuel costs from FY 2014 through FY 2023 when compared to the current GNF fuel design even if another vendor is selected for 2019 reload and beyond.

Mr. Atkinson provided an overview of regulatory considerations for increasing the output of the reactor. In addition, regulators strongly discourage two significant license changes in the same reload cycle. Implementation of the MUR program and transition to a new fuel vendor would require two license changes in the same 2017 fuel cycle. He noted that Energy Northwest has invested a fair amount of time researching the MUR program and determined that changing to a more efficient fuel proves to be advantageous at this time.

Mr. Atkinson said that staff looked at market prices by Energy Resources International, which showed Columbia's current contract prices for fuel are competitive. In addition, Columbia's ranking compared to other utilities in fuel cost surveys done by NEI shows current contract prices to be competitive.

Mr. Atkinson indicated fuel costs savings offered by the more efficient GNF2 fuel design will provide a total payback in cost with the 2017 reload. He advised that staff is not requesting an amendment to the fuel budget but is working to lessen or eliminate this impact through other savings. He recommended that the Executive Board approve the extension of the GNF fabrication services contract to include the 2017 reload and using the GNF2 fuel design, subject to the contractual rights of the Bonneville Power Administration (BPA) and the Participants Review Board (PRB).

Discussion ensued regarding PRB review. Mr. Atkinson responded that the PRB would get its 7-day review period so contract execution would be contingent upon PRB review.

Further discussion ensued with respect to providing local vendors the opportunity to bid on the reload contract in 2019, potential future suppliers, and the benefits of additional megawatts to the region's ratepayers.

Mr. Gunkel moved for adoption of Executive Board Resolution No. 1791 entitled, "A RESOLUTION AUTHORIZING THE EXECUTION OF A CONTRACT EXTENSION WITH GLOBAL NUCLEAR FUEL – AMERICAS, LLC FOR NUCLEAR FUEL FABRICATION SERVICES – COLUMBIA GENERATING STATION" as presented. Mr. Orser seconded the motion. Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1791 UNANIMOUSLY ADOPTED.

#### BOARD GOVERNANCE POLICIES UPDATE

B. Ridge reported that there was very good participation from the Executive Board and a couple of Board of Directors members during the October governance workshop. He reviewed activities to date including incorporation of changes made during the workshop. He advised

that the policies have been distributed via email for review and summarized next steps – development of two sets of policies (one in January and one in February), with adoption of the excellence model and policies in March.

Mr. Reddemann requested that board members review the policies being distributed via email and provide feedback to staff as soon as possible. Mr. Ridge added that a survey will be distributed prior to the March meeting. Mr. Reddemann reported that he has had several calls from general managers on the Excellence Model, but he does not want to distribute it until it has been proven for at least a year.

Mr. Ridge advised that the copy of the policies that is posted on Boarddocs reflects changes made within the last couple of days and indicated that the policies will be distributed via email later this week. He noted that 2/19 and 2/20 have been set as tentative dates for the second governance workshop.

Hearing no further discussion, Co-Chair Gunkel turned the meeting back over to Executive Board Chair Morrison, who announced that charter bus transportation to the dinner meeting will depart from the Hampton Inn at 6:15 p.m.

Hearing no further discussion, the meeting was recessed at 4:15 p.m. until dinner.

The Executive Board meeting convened at 6:00 p.m. for a social and dinner. Chairman Sid Morrison welcomed all in attendance at 8:00 p.m.

**Roll Call:**

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

**Others Present:**

Members of the public S. Atkinson, spouse of D. Atkinson; D. Dutton, spouse of B. Dutton; M. Reddemann, spouse of M. Reddemann; L. Ridge, spouse of B. Ridge; K. Sawatzke, spouse of B. Sawatzke; J. Willey, spouse of L. Willey; and Legislative Liaison S. Reese and spouse, A. Reese.

**Staff Present:**

M. Reddemann, D. Atkinson, B. Dutton, G. Hettel, M. Paoli, B. Ridge, B. Sawatzke, and L. Willey.

The Executive Board and senior management team gathered for a holiday social. Chairman Morrison thanked all for attending and thanked the Reddemanns for hosting.

Hearing no further comments, Chairman Morrison adjourned the special dinner meeting at 8:30 p.m. No action was taken.

The meeting was reconvened at 8:02 a.m. on Thursday, December 12 by Executive Board Chair Morrison, who turned the meeting over to Co-Chair Gunkel.

**NUCLEAR OVERSIGHT AND SAFETY COMMITTEE REPORTS (cont'd)**

**VALVE MAINTENANCE PROGRAM UPDATE**

Mr. Sawatzke advised that this presentation was requested by board members. He introduced K. Dittmer, Technical Services Manager, Engineering, and provided a brief bio.

Mr. Dittmer displayed photos of air operated valves, which adjusts, changes state and moves by the use of air through pipes, and photos of motor-operated valves, which have large cables providing power to the motor operated valves. He reviewed the R-21 valve budget and noted that the established funding for R-21 and R-22 places Columbia in alignment with the industry. He reported on valve work scope scheduled, completed, added and deleted and provided overviews on R-21 critiques and lessons learned.

Discussion ensued with respect to the number of valves in the plant, the number of valves that still need to be addressed, run to fail and run to maintenance valves, spare parts inventory, replacement versus refurbishment, and benchmarking efforts.

**COMMITMENT REVIEW/CONSENSUS POLLING**

The following new commitment was added:

- Provide an overview of risk management performance indicators, definitions, etc. – Brad Sawatzke - January

**OTHER BUSINESS**

Hearing no further business, Co-Chair Gunkel turned the meeting back over to the Chair Morrison.



**ADMINISTRATIVE, ENERGY & MEMBER SERVICES COMMITTEE REPORTS**

Committee Chair Sheldon announced that information agenda items are posted on BoardDocs for board member's information.

**LEGISLATIVE ISSUES**

S. Reese, Legislative Liaison, provided an overview of the revisions on legislative issues following discussion at the meeting in Seattle. She thanked Mr. Paoli for working with board members to provide the language for Issue 4. She indicated that if new issues arise during the session, those issues will be brought to the Executive Board for discussion and determination.

J. Rowland, Legislative Liaison, reviewed changes in the State Senate and House of Representatives and committee assignments.

Discussion ensued regarding what Energy Northwest would like to accomplish during their visits with legislative representatives during the upcoming session. Topics included carbon emissions, the Columbia value study, small modular reactors, holding a potential workshop on carbonless efforts, and alignment with other public utilities and associations on energy issues.

Mr. Sheldon moved for adoption of Executive Board Resolution No. 1790, entitled "A RESOLUTION ADOPTING ENERGY NORTHWEST'S OFFICIAL LEGISLATIVE POSITION FOR CALENDAR YEAR 2014 AND DELEGATING AUTHORITY TO ADVOCATE THE OFFICIAL LEGISLATIVE POSITION OF ENERGY NORTHWEST" as presented. Mr. Janda seconded the motion. Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1790 UNANIMOUSLY ADOPTED.

The meeting was recessed at 9:35 a.m. for a short break; the meeting was reconvened at 9:51 a.m.

**MERITORIOUS SERVICE AWARDS**

Messrs. Morrison and Reddemann led a discussion on potential candidates for Meritorious Service Award recognition. Board members gave a nod of the head to staff to follow-up on activities for the candidates chosen.

**COMPENSATION SUBCOMMITTEE MEMBER APPOINTMENT**

Chair Sheldon reported that he polled the Compensation Subcommittee members and they have all agreed to serve for another year. He advised that the appointments of Mr. Remington as chair, Messrs. Orser and Purser as subcommittee members and Messrs. Morrison and Sheldon as ex officios will continue.

COMMITMENT REVIEW/FORWARD PLANNING

The following new commitments were added:

- Additional workshop on value of Columbia in decarbonizing – Mike Paoli – Around the March timeframe
- Provide list of issues to discuss with legislators in Olympia in February – Mark Reddemann – prior to February board meeting

Chair Sheldon advised that the legislative session will adjourn on March 13 or 14 and he is unsure if any special sessions will be called but indicated that a workshop on de-carbonization is a good idea.

AUDIT, LEGAL & FINANCE COMMITTEE REPORTS

INFORMATION AGENDA ITEMS

Chair Vaughn advised that information items have been posted to BoardDocs for board members' information.

Chair Vaughn advised that the Executive session scheduled later on the agenda would be moved up.

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

The meeting was recessed at 10:15 a.m. for the purpose of holding a 30-minute Executive Session to discuss litigation matters in accordance with RCW 42.30110(1)(C)(i). Ms. Vaughn came out of the meeting room at 10:45 a.m. and announced a 15-minute extension. The Executive Session ended at 11:00 a.m.

The meeting was immediately recessed for a short break; the meeting was reconvened at 11:10 a.m.

ADMINISTRATIVE AUDITOR UPDATE

Mr. Janda stated that a proposed audit presentation was provided to the Executive Board in September. He introduced Protiviti representatives Karen Demartini, in attendance, and Joel Hammer and Paul Petit, via teleconference to give a status report.

Ms. Demartini reviewed the timeline for progress of the current administrative audit which is being done in phases.

Mr. Hammer reported that audit team performed the project management risk assessment to identify higher risk projects and processes. They interviewed project managers to understand the current project management environment; obtained and reviewed project management

policies and procedures; utilized the Project Management Body of Knowledge framework to identify higher risk processes; identified higher risk projects based on defined criteria and reviewed and confirmed the risk assessment results with management.

He advised that the following seven processes and three projects were determined to be of higher risk relative to other processes and procedures evaluated and advised that Phase II will be conducted in December will focus on: change control, scope control, quality control, risk monitoring control, financial control, claim prevention, claim resolution, keep fill pump upgrades and main transformer replacement.

Ms. Demartini reported that the objective of Phase II is to perform a high-level evaluation of capital project risks, mitigating controls, and process improvement opportunities and to evaluate the adherence to project management policies and procedures on the identified higher risk processes. Discussion ensued regarding a checklist for board members to perform their due diligence, audit scope.

Ms. Demartini summarized key project milestones for Phase II and announced that recommendations for additional project management reviews will be provided for consideration in the FY 2015 Administrative Audit Plan.

Mr. Janda reminded board members that the audit team reports to him so if there are any questions or concerns to let him know and he will discuss them with the auditors.

#### NINE CANYON 2014 SERIES BONDS

J. Windham, Treasury Supervisor, reported that he had a discussion with the participants regarding potential refunding candidates. He advised that the 2014 series will refund the \$41.3 million of the \$44.9 million in outstanding 2005 series bonds for Phase I with a maturity range from 2014 through 2023. He noted that the 2014 refunding series is strictly for savings with no extension of maturities; the bonds are all tax-exempt with interests rate yields ranging from approximately 0.70 percent to 3.5 percent. The pricing on these bonds is expected to take place on January 8, 2014 and the closing is slated for April 3, 2014.

Mr. Windham reviewed the following key provisions and delegation limits of Resolution No. 1789, as follows:

- Authorizes the issuance of the Nine Canyon 2014 bond series
- Authorization expires January 1, 2015
- Delegates to the CEO, CFO or any Assistant Treasurer the authority to approve the final pricing terms of the bonds
- Must meet the minimum overall net present value savings of five percent
- Limits set on total amount of bond principal to be issued
- Limits set on final maturity

Discussion ensued with respect to all in costs and other provisions limiting the final pricing terms.

Mr. Windham recommended that the Executive Board approve Resolution No. 1789 authorizing the issuance of and delegations related to the sale of Nine Canyon Wind Project 2014 bonds.

Chair Vaughn presented Executive Board Resolution No. 1789 entitled "A RESOLUTION AUTHORIZING THE ISSUANCE OF A SERIES OF WIND PROJECT REVENUE REFUNDING BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$41,305,000 TO CURRENTLY REFUND CERTAIN OUTSTANDING 2005 BONDS OF THE NINE CANYON WIND PROJECT AND DELEGATING AUTHORITY TO THE EXECUTIVE DIRECTOR, CHIEF FINANCIAL OFFICER OR AN ASSISTANT TREASURER TO APPROVE THE FINAL TERMS OF THE BONDS" and moved for its adoption as presented. Ms. Sanders seconded the motion. Executive Board Chair Morrison called for the question. EXECUTIVE BOARD RESOLUTION NO. 1789 ADOPTED BY UNANIMOUS VOTE.

#### COMMITMENT REVIEW

No new commitments were added.

Chair Vaughn asked if all board members questions and concerns been were addressed; if there was anything on the table that still needed to be handled? In addition she asked of staff was provided with enough information to meet objectives.

Hearing no further discussion, the meeting was turned back to Executive Board Chair Morrison.

#### EXECUTIVE BOARD MEETING (cont'd)

##### REPORT FROM BPA

BPA representative A. Rapacz reported that BPA just weathered an extreme cold snap. He indicated that additional power was purchased by BPA at reasonable rates and expressed BPA's appreciation for Columbia being on line during that period. He advised that water wise, the river forecast is 93 percent of normal for precipitation that falls behind the dams.

Mr. Rapacz noted that Steve Oliver and Elliott Mainzer were recently in the Tri-Cities for a congressional briefing on the Columbia River treaty. He announced that Mr. Oliver is retiring as of January 26 and Rick Pendergrass will be acting for 180 days. He added that he has also announced his retirement and will be leaving around March 2; both positions will be posted internally and externally.

The meeting was recessed at 11:45 a.m. for lunch; the meeting was reconvened at 12 noon.

OTHER

P. Lilly, Visual Communications Supervisor, stated that individual's educational development plan was distributed during the break that contains a list of meetings each board member attended in the past year which will aid in developing a plan for educational development going forward.

Ms. Lilly announced that there have been some changes implemented in September for making board members' travel arrangements.. Board members can now utilize the services of Travel Leaders for their board meeting travel. This is not mandatory and board members can opt out if they want to continue making their own travel reservations. She advised that the handout contains some frequently asked questions and answers; if board members have any additional questions, please let staff know.

MEETINGS

Executive Board Chair Morrison announced the following upcoming meetings in Corvallis, Oregon:

- NuScale orientation, presentations and tours – January 22, 2014 – Nuscale Corvallis office
- Regular Board of Directors Meeting – January 23, 2014 – Hilton Garden Inn, Corvallis
- Special Joint Meeting of the Board of Directors and Executive Board – January 23, 2014 – Hilton Garden Inn, Corvallis
- Special Executive Board Meeting – January 23, 2014
- Debt Management Workshop – January 24, 2014 – Hilton Garden Inn, Corvallis

OTHER

Chair Morrison thanked Mr. Reddemann and his wife for hosting the dinner meeting the previous night.

Chair Morrison stated that as the new year approaches and Columbia is gearing up to head to the next level, we as executive board members, should also gear up for that.

Chair Morrison reminded board members to please fill out and turn in their expense reports.

Hearing no further discussion, Chair Morrison thanked everyone for attending and wished them all happy holidays and a safe journey home. He adjourned the meeting at 12:15 p.m.

Respectfully submitted by,

Susan L. Barwick  
Board Relations Specialist