

**MINUTES OF THE  
SPECIAL MEETING OF THE EXECUTIVE BOARD  
OF ENERGY NORTHWEST  
MULTIPURPOSE FACILITY – GLENN C. WALKLEY  
3000 GEORGE WASHINGTON WAY  
RICHLAND, WASHINGTON  
MAY 10, 2012 – 7 A.M.**

Chair Sid Morrison called the special meeting of the Executive Board of Energy Northwest to order at 7:08 a.m.

**Roll Call of Executive Board Members:**

Sid Morrison, Chair  
Dan Gunkel  
Larry Kenney  
Skip Orser  
Kathy Vaughn

**Roll Call via Conference Call:**

Marc Daudon  
Jack Janda  
Will Purser  
Dave Remington  
Lori Sanders  
Tim Sheldon

**Staff Present:** M. Reddemann, G. Armatrout, D. Atkinson, T. Brown, J. Dobken, B. Dutton, R. Hogue, J. Irvan, M. Kuklok, P. Lilly, K. McCullen, M. Paoli, C. Reyff, B. Ridge, P. Taggares, and J. Windham.

**Others Present:** Consultant E. Rockett; C. Andrews, G. Delwiche, M. Harris, B. Lovell, Z. Mandell, and A. Rapacz, Bonneville Power Administration; K. Masters, Babcock & Wilcox; and A. Carey, *Tri-City Herald*.

**Others Present via Conference Call:**

K. Black, Bonneville Power Administration.

D. Atkinson, Vice President, Employee Development/Corporate Services provided an overview of his visit to the United States Enrichment Corporation (USEC) enrichment plant in Paducah, Kentucky. He reported on the following observations during his visit: stable experienced workforce, significant redundancy and excess capacity, continuous operations for over 50 years, good maintenance practices and a large number of spares staged, and good morale. He presented the highlights of the uranium tails fuel procurement.

B. Ridge, Vice President, Chief Financial and Risk Officer; B. Dutton, General Counsel; and Mr. Atkinson; jointly reviewed the following approval conditions and actions taken since the April Executive Board meeting:

- Evaluate the financial model with a sensitivity analysis to understand Energy Northwest's cost benefit (risk) trade off.
- No additional negative information regarding counter-party financial condition.
- Clarification and understanding of financial relationship with the banker; contract J. P. Morgan to get their opinion.
- Risk of loss protection for on-site materials.
- No charge in payment conditions related to the Tennessee Valley Authority's (TVA) power sales and USEC deliveries.
- No liens on the USEC material sold to Energy Northwest.
- No material changes to the agreements that adversely impact Energy Northwest; explore modification to program to improve the risk benefit trade-off for Energy Northwest.
- Review impacts if TVA backs out and Columbia Generating Station (Columbia) gets all of the fuel including selling the material in the market with projected market pricing.
- Include upside and downside risk of not doing the transaction.
- Independent consultant review of Energy Northwest's transaction including evaluation of the worst case scenario.
- Define how the transaction will be managed once approved.
- Define how this will not divert resources from Columbia performance improvement efforts.

G. Delwiche, Bonneville Power Administration (BPA), provided a brief overview of BPA's perspective of the proposed transaction.

Mr. Reddemann provided Energy Northwest's perspective and recommended that the Executive Board approve of the execution of an agreement with United States Department of Energy (DOE) for depleted uranium hexafluoride, a contract with USEC for enrichment services, a contract with TVA for the sale of enrichment services and uranium, and a line of credit for \$200 million from Bank of America.

Discussions ensued with respect to the financial model, different risk scenarios, the independent consultant's report, total costs of the transaction being well below the current market, fuel inventory and reactor requirements, situations that could affect demand and pricing, the long-range plan, savings to the ratepayers of the region, mitigation of key risk issues, general risks associated with the transfer or sale of the material, and the following additional conditions board members wanted added to Resolution No. 1736:

- TVA to provide surety/performance bond for \$100,000,000 or agree to raise its limit of liability to \$100,000,000; and
- TVA shall remove as a basis for termination the shutdown of any reactor currently in operation.

Mr. Orser moved to approve the recommendations that were presented in the resolution entitled "A RESOLUTION AUTHORIZING THE EXECUTION OF AN AGREEMENT WITH THE UNITED STATES DEPARTMENT OF ENERGY FOR DEPLETED URANIUM HEXAFLUORIDE, A CONTRACT WITH USEC, INC. FOR ENRICHMENT SERVICES, AND A

CONTRACT WITH TENNESSEE VALLEY AUTHORITY FOR THE SALE OF ENRICHMENT SERVICES AND URANIUM – COLUMBIA GENERATING STATION,” along with the aforementioned additional conditions. Mr. Gunkel seconded the motion. A roll call vote was taken by Ms. Vaughn. The results were as follows:

Marc Daudon – no  
Dan Gunkel – yes  
Jack Janda – yes  
Larry Kenney – yes  
Sid Morrison – yes  
Skip Orser – yes  
Will Purser – yes  
Dave Remington – yes  
Lori Sanders – yes  
Tim Sheldon – yes  
Kathy Vaughn – yes

Chair Morrison declared the vote approved by a majority vote and thanked everyone involved.

The meeting was recessed at 10:28 a.m. for a short break; the meeting was reconvened at 10:55 a.m. without Messrs. Gunkel and Orser.

The meeting was recessed at 10:55 a.m. for the purpose of holding a 20-minute Executive Session to discuss litigation in accordance with RCW 42.30.110(1)(i)(C). The meeting was reconvened at 11:16 a.m.

Mr. Kenney made the following motion (Motion 2012-5):

“IT IS MOVED THAT THE EXECUTIVE BOARD ACCEPT COMPLETION OF THE WORK OF THE CONDENSER PROJECT AS PROVIDE UNDER RCW 60.28. 011 AND RCW 39.08.030.

IT IS FURTHER MOVED THAT THE EXECUTIVE BOARD RATIFY THE SETTLEMENT AGREEMENT AND RELEASE ENTERED INTO BETWEEN BABCOCK & WILCOX NUCLEAR POWER GENERATION GROUP, INC., N/K/A BABCOCK AND WILCOX NUCLEAR ENERGY, INC. AND ENERGY NORTHWEST AFTER A TWO-DAY MEDIATION, WHEREBY ENERGY NORTHWEST WILL PAY TO BABCOCK & WILCOX NUCLEAR POWER GENERATION GROUP, INC., N/K/A BABCOCK AND WILCOX NUCLEAR ENERGY, INC. THE SUM OF \$19,925,000.00 IN EXCHANGE FOR A COMPLETE AND FINAL RELEASE BY BABCOCK & WILCOX NUCLEAR POWER GENERATION GROUP, INC., N/K/A BABCOCK AND WILCOX NUCLEAR ENERGY, INC. OF ALL CLAIMS AGAINST ENERGY NORTHWEST ARISING OUT OF OR RELATING TO THE CONDENSER PROJECT, AND A DISMISSAL WITH PREJUDICE OF THE LAWSUIT PENDING IN THE UNITED

STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF WASHINGTON BY BABCOCK & WILCOX NUCLEAR POWER GENERATION GROUP, INC., N/K/A BABCOCK AND WILCOX NUCLEAR ENERGY, INC., AGAINST ENERGY NORTHWEST, CASE NO. CV-11-5149-EFS.”

Ms. Vaughn seconded the motion. A roll call vote was taken by Ms. Vaughn. The results were as follows:

Marc Daudon – yes  
Dan Gunkel – absent  
Jack Janda – yes  
Larry Kenney – yes  
Sid Morrison – yes  
Skip Orser – absent  
Will Purser – yes  
Dave Remington – yes  
Lori Sanders – yes  
Tim Sheldon – yes  
Kathy Vaughn – yes

Chair Morrison declared the motion approved.

Hearing no further discussion, Chair Morrison thanked everyone for their participation and adjourned the special Executive Board meeting at 11:26 a.m.

Respectfully submitted,

Pattie Lilly, Supervisor  
Visual Communications