

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

OPERATIONS COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 25, 2007

ACTION REQUIRED

AGENDA ITEM NO. X.

Information Only
 Motion
 Resolution
 Executive Session
 Other

TOPIC

Board Policy 106 – Delegations of Authority from the Board of Directors to the CEO

DISCUSSION

Attachment 1 contains proposed revisions to Board Policy 106 prepared by Board Counsel that are intended to clarify the respective responsibilities of the Board and the CEO with respect to the retention of consultants and counsel for Association legal matters and to ensure that the Board receives regular updates with regard to Association legal matters.

General Counsel has made some revisions to Attachment 1 that are shown as redlined (underlined) on Attachment 2. The revisions are intended to make Board Counsel's proposed revisions consistent with the Board's delegations to the CEO, and also to facilitate the effective, efficient, and practical handling of Association legal matters.

MOTION

Option 1: Move that the Board Operations Committee approve and recommend for approval to the full Board the revisions to Board Policy 106 as shown in Attachment 1 to this Agenda Item Summary.

Option 2: Move that the Board Operations Committee approve and recommend for approval to the full Board the revisions to Board Policy 106 as shown in Attachment 2 to this Agenda Item Summary.

**JULY 25, 2007 BOARD OF DIRECTORS' OPERATIONS COMMITTEE
MEETING AGENDA ITEM IX**

ATTACHMENT I

It is hereby moved that the Board of Directors amend Section II(B)(8) and add new Section II(C)(1)(h) to Board Policy 106, to read as follows:

Section II(B):

8. Consultants

To select and retain consultants, including law firm(s) or attorneys to represent the Association on routine legal matters. However, the full Board of Directors reserves the right to approve or disapprove the selection of law firms or attorneys for routine legal matters by the Chief Executive Officer or General Counsel of the Association.

The selection and retention of any consultants working in areas which affect the functions of the Board also requires the prior approval by motion or resolution of the Board of Directors.

Non-routine Legal Matters

The selection and retention of law firm(s) or attorneys to represent the Association on non-routine legal matters, and of the firm performing the independent financial audit, requires the prior approval by motion or resolution of the Board of Directors. Law firms or attorneys retained for non-routine legal matters will report directly to the Board of Directors until directed otherwise by the Board, and will provide copies of their reports to the Board in addition to General Counsel, the Chief Executive Officer, and other management. Professional services contracts will reflect this. The Board may choose to authorize counsel to report to, and work with, Chugach's General Counsel and/or Chief Executive Officer with respect to those non-strategic activities which are necessary in the normal course of litigation, reserving to the Board control over strategic planning and overall case objectives.

If, in order to protect the interests of the Association, the Association needs to appoint legal counsel to represent the Association on a non-routine legal matter before a Board of Directors meeting on the issue can reasonably be held, the Chairman of the Board of Directors, after the

opportunity to consult with the Chief Executive Officer or General Counsel of the Association, shall have the authority to make such appointment, subject to the ratification of said appointment by the full Board of Directors at its next meeting. In the event the Chairman of the Board is unavailable, the Vice Chairman of the Board of Directors, after the opportunity to consult with the Chief Executive Officer or General Counsel of the Association, shall have the authority to make such appointment, subject to ratification of said appointment by the full Board of Directors at its next meeting.

Definition of Routine Legal Matters

For the purposes of this subsection, the term “routine legal matters” shall include, by way of example, collection actions by the Association against members for unpaid service or assessments; actions for breaches of utility extension agreements; public or private permit, right-of-way or easement acquisition or litigation; actions for damages to Association distribution, transmission or generation facilities or against the Association for personal injury or property damage allegedly caused by the Association, or for breach of contract actions not involving wholesale members; actions to prevent unauthorized or dangerous excavation or other activities near Association distribution, transmission or generation facilities; third party claims filed pursuant to worker’s compensation actions; responses to formal or informal service complaints against the Association filed by non-wholesale members at the Regulatory Commission of Alaska (“RCA”); filing at RCA of fuel cost rate adjustments and other routine tariff and other RCA and regulatory compliance filings; and general consultation on employee and union grievances. “Routine legal matters” shall also include general consultation with outside counsel on non-litigation matters involving environmental issues, contracts, commercial dealings, corporate compliance issues, regulatory reporting, labor, personnel, insurance, and construction, provided that the matter does not otherwise qualify as a “non-routine legal matter.”

Definition of Non-Routine Legal Matters

For the purposes of this subsection, the term “non-routine legal matters” shall include, by way of example, matters involving labor negotiations or unfair labor practice complaints; actions by the Association against current or former agents, employees, officers or directors, or vice versa (except for employee and union grievance matters provided under “routine legal matters” above), rate cases and non-routine tariff changes, environmental legal proceedings (including both claims and investigations) against the Association by regulatory agencies having jurisdiction over the matter or by other third parties; and claims by or against other public utilities or public entities except routine actions such as condemnation proceedings.

Section II(C)(1):

- h. To monitor and report to the Board of Directors on the Association's routine and non-routine legal matters (as defined in Section II(B)(8) above), to supervise the Association's legal counsel in connection with routine legal matters, and to assist the Board of Directors in supervising such non-routine legal matters as are approved by motion or resolution of the Board of Directors. This report will also include the legal fees incurred to date on a per matter basis.

**JULY 25, 2007 BOARD OF DIRECTORS' OPERATIONS COMMITTEE
MEETING AGENDA ITEM X**

ATTACHMENT 2

Section II. ~~(B)~~:

8. Consultants

To select and retain consultants, including law firm(s) or attorneys to represent the Association on routine legal matters. However, the full Board of Directors reserves the right to ~~approve or~~ disapprove the selection of law firms or attorneys for routine legal matters by the Chief Executive Officer or General Counsel of the Association.

The selection and retention of any consultants working in areas which are not delegated to the Chief Executive Officer ~~affect the functions of the Board~~ also requires the prior approval by motion or resolution of the Board of Directors.

Non-routine Legal Matters

The selection and retention of law firm(s) or attorneys to represent the Association on non-routine legal matters, and of the firm performing the independent financial audit, requires the prior approval by motion or resolution of the Board of Directors. Law firms or attorneys retained for non-routine legal matters will report to and work with Chugach's General Counsel, Chief Executive Officer and management with respect to those activities which are necessary in the normal course of a legal matter; however, the Board shall have the final decision-making authority concerning the overall objective(s) of and major strategy decisions in such matter, unless otherwise directed by the Board. ~~directly to the Board of Directors until directed otherwise by the Board,~~ Retained counsel and will provide copies of their reports to the Board in addition to General Counsel, the Chief Executive Officer, and other appropriate management. Professional services contracts will reflect this. ~~The Board may choose to authorize counsel to report to, and work with, Chugach's General Counsel and/or Chief Executive Officer with respect to those non-strategic activities which are necessary in the normal course of litigation,~~ reserving to the Board control over strategic planning and overall case objectives.

If, in order to protect the interests of the Association, the Association needs to appoint legal counsel to represent the Association on a non-routine legal matter before a Board of Directors meeting on the issue can reasonably be held, the Chairman of the Board of Directors, after the opportunity to consult with the Chief Executive Officer or General

Counsel of the Association, shall have the authority to make such appointment, subject to the ratification of said appointment by the full Board of Directors at its next meeting. In the event the Chairman of the Board is unavailable, the Vice Chairman of the Board of Directors, after the opportunity to consult with the Chief Executive Officer or General Counsel of the Association, shall have the authority to make such appointment, subject to ratification of said appointment by the full Board of Directors at its next meeting.

Definition of Routine Legal Matters

For the purposes of this subsection, the term “routine legal matters” shall include, by way of example, collection actions by the Association against members for unpaid service or assessments; actions for breaches of utility extension agreements; public or private permit, right-of-way or easement acquisition or litigation; actions for damages to Association distribution, transmission or generation facilities or against the Association for personal injury or property damage allegedly caused by the Association, or for breach of contract actions not involving wholesale members; actions to prevent unauthorized or dangerous excavation or other activities near Association distribution, transmission or generation facilities; third party claims filed pursuant to worker’s compensation actions; responses to formal or informal service complaints against the Association filed by non-wholesale members at the Regulatory Commission of Alaska (“RCA”); filing at RCA of fuel cost rate adjustments and other routine tariff and other RCA and regulatory compliance filings; and general consultation on employee and union grievances. “Routine legal matters” shall also include general consultation with outside counsel on non-litigation matters involving environmental issues, contracts, commercial dealings, corporate compliance issues, regulatory reporting, labor, personnel, insurance, and construction, provided that the matter does not otherwise qualify as a “non-routine legal matter.”

Definition of Non-Routine Legal Matters

For the purposes of this subsection, the term “non-routine legal matters” shall include, by way of example, matters involving labor negotiations or unfair labor practice complaints; actions by the Association against current or former agents, employees, officers or directors, or vice versa (except for employee and union grievance matters provided under “routine legal matters” above), rate cases and non-routine tariff changes, environmental legal proceedings (including both claims and investigations) against the Association by regulatory agencies having jurisdiction over the matter or by other third parties; and claims by or against other public utilities or public entities except routine actions such as condemnation proceedings.

Section II.C.1.:

- h. To monitor and report to the Board of Directors on the Association's routine and non-routine legal matters (as defined in Section II(B)(8) above), to supervise the Association's legal counsel in connection with routine legal matters, and to assist the Board of Directors in supervising such non-routine legal matters as are approved by motion or resolution of the Board of Directors. This report will also include the legal fees incurred to date on a per matter basis.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 106

Date: June 18, 2003

**DELEGATIONS OF AUTHORITY
FROM THE BOARD OF DIRECTORS TO
THE CHIEF EXECUTIVE OFFICER**

I. OBJECTIVE

To define the delegations of authority from the Board of Directors to the Chief Executive Officer to enable adequate direction of the operations of the Association and to report to the Board on the results achieved.

II. CONTENT

A. Planning

1. Policies

To formulate with his/her staff, as appropriate, the Board policies to be recommended to a committee of the Board for their consideration and to participate with the Board Operations Committee and the Board in the development of Board policies. To formulate, in consultation with the Board of Directors and staff, the Operating Policies of the Association. Such policies shall be reviewed by the Chief Executive Officer as periodically necessary and a report made to the Board or a Board Committee.

2. Objectives

To develop, in consultation with the Board of Directors and staff, goals and objectives of the Association for presentation to and approval by the Board of Directors. To review annually these goals and objectives, as well as the results achieved.

3. Short-Range and Long-Range Plans

a. To conduct studies, with staff and outside consultants if necessary, and recommend to the Board of Directors short-range and long-range plans, including plans in such areas as power supply, power requirements and load forecasts, need for generation and transmission facilities, procurement of fuel, financing, energy

management and marketing, member and public relations, materials management, construction, etc., and to report to the Board on results achieved compared to such plans.

4. Membership Meetings

To develop, with staff, plans for annual and other meetings of the Members and to make appropriate recommendations to the Board of Directors.

5. Annual Work Plans and Budgets

To formulate, with staff, annual work plans and budgets for the Association and recommend them to the Board for their consideration and approval and to provide detailed reports monthly on revenue, expenses and other results compared to such plans.

6. Legislation

To analyze and determine with staff, state and federal legislative and regulatory matters to be proposed, supported, or opposed consistent with established Board policy. Reports will be submitted to the Board on a regular basis.

7. Retail and Wholesale Rates and Service Rules and Regulations

To periodically study and analyze the Association's retail and wholesale rates and service rules and regulations and make appropriate recommendations to the Board.

B. Organization

1. Organizational Structure

a. To periodically review activities of the Association and to determine, with staff, the organizational structure best suited to carry out the overall objectives of the Association, within the limitations of the budget and Board Policy and priorities.

b. To determine, with the appropriate staff members, the need for additional positions, the transfer, reassignment, or elimination of present positions, and to effect such changes, provided they are within the limitations of the personnel costs of the approved budget. Reports should be made annually to the Board, or a committee of the Board, on the number of positions by organizational units as compared to previous years.

2. Selection of Personnel

- a. To develop or approve standards and qualifications for use in recruitment, transfer and promotion of personnel. Such standards and qualifications should meet all federal and state legal requirements.
- b. To hire, transfer, promote, and terminate personnel.

3. Training

- a. To ensure that the Association staff is trained in accordance with the requirements of their positions.
- b. To initiate and promote, through staff, appropriate management, professional and technical training programs for all personnel within the limitations of the approved budget and Board policy, including sending personnel to appropriate training programs outside the organization.

4. Performance Appraisals

- a. To appraise, at least annually, the performance of the immediate staff and to counsel with them and assist them to develop and improve.
- b. To ensure that an annual performance appraisal program is established and carried out for all personnel.

5. Position Descriptions

To ensure that written position descriptions and job specifications are prepared and reviewed annually for all personnel. Such completed descriptions will not require Board approval.

6. Fringe Benefits

To administer or approve activities and actions with respect to vacations, holidays, sick leave and other fringe benefit programs for the employed personnel within established policies, within the limitations of the budget, and as provided in collective bargaining agreements. A report shall be presented annually to the Board or a committee of the Board describing the various benefits and the employee and employer contribution, if any, and what percent fringes are of payroll.

7. Overtime

To ensure that overtime is controlled and to report annually to the Board on overtime as a percent of payroll compared to previous years and the results of the efforts to control this expense.

8. Consultants

To select and retain consultants, other than the firm performing the independent financial audit. The selection of any consultants working in areas which affect the functions of the Board requires the approval of the Board.

9. Wage and Salary Administration

a. To develop a systematic wage and salary plan for non-bargaining unit employees and present it to the appropriate committee of the Board of Directors for its review and for them to make an appropriate recommendation to the Board regarding its approval.

b. To determine all salary adjustments, except the Chief Executive Officer's, within the Board-approved wage and salary plan and policy and within the limitations of the budget. A report is to be provided to the Board annually on the administration of the wage and salary plan.

c. To evaluate new positions and reevaluate existing positions. If their responsibilities and authorities substantially change, and if appropriate, place these positions in the Board-approved wage and salary plan.

d. To conduct labor surveys, as necessary, to determine wages and salaries paid for comparable jobs in the area in which the Association recruits personnel, and make recommendations to a committee of the Board of Directors on any revisions required in the wage and salary plan for non-bargaining unit employees, taking into account the financial condition of the Association.

10. Labor Relations

a. To negotiate bargaining unit contracts and make appropriate recommendations to the Board.

b. To administer the approved labor contracts and see that appropriate managers and supervisors understand the provisions of the contracts and their administration.

11. Employee Relations

To ensure that two-way communication between employees and management is established providing opportunities for feedback and employee involvement and participation as appropriate.

C. Operations

1. Overall Administration

- a. To direct and manage the day-to-day operations and activities of the Association in accordance with the policies of the Board of Directors and in accordance with all contracts and lending institution policies and procedures, as well as applicable federal, state and local laws.
- b. To delegate appropriate authority to immediate staff and authorize further delegation of authority to any level of management with full recognition that the Chief Executive Officer cannot be relieved of overall responsibility or any portion of accountability.
- c. To designate an appropriate person to serve as Acting Chief Executive Officer in the absence of the Chief Executive Officer.
- d. To ensure that staff advice and assistance is available to the Board of Directors and its committees.
- e. To accept invitations to participate in or designate other staff members to participate in national, state and local meetings which further the best interest of the Association, within the limitations of Board policy and the approved budget. Participation by the Chief Executive Officer in such activities which requires considerable time over a sustained period requires approval of the Board.
- f. To determine the transportation needs of the Association, with the understanding that the number of company-owned or leased cars individually assigned to employees will be minimized, and a pool of company-owned or leased cars will be utilized, and both activities will be accomplished in the most economical and practical extent possible. Such company-owned or leased cars shall be used only for trips that are primarily official business.
- g. To serve as the authorized spokesperson for the Association on major issues impacting the Association and to keep the Board up to date and well informed on such issues.

2. Membership Services

To direct appropriate and efficient membership services in such areas as, but not necessarily confined to, public and member relations, load management, energy conservation, marketing communications, and research.

3. Legislation

a. To develop and carry out, consistent with Board policy 121, a legislative program furthering the Association's objectives and policies. Such a program will include, but not be limited to, research, preparation of testimony, presentation of testimony before appropriate committees, consultation with members of Congress, the state legislature, and state and federal administrative and regulatory agencies.

b. To participate with allied groups to obtain their increased understanding and support of the Association's legislative and regulatory objectives and programs.

4. Financial

a. To administer the approved budget, including approval of non-budgeted items or budget changes of not more than \$1,000,000 or all non-budgeted items which, in his or her judgment, are vital to effect unanticipated emergency maintenance or repairs. Non-budgeted items or budget changes exceeding \$500,000 must be reported to the Board of Directors.

b. To invest or reinvest funds, cash investments when due, and cash government bonds when, and if, necessary to protect the Association's cash position, and to carry out an effective cash management program.

c. To authorize and approve the travel expenses of personnel, except the Chief Executive Officer's, on company business within the limitations of the budget and within established policy. All such expenses shall be supported by itemized expense accounts with receipts attached, as appropriate. Expenses of the Chief Executive Officer will be approved by the Chairman of the Board or the Treasurer of the Board prior to payment.

d. To approve accounting systems, procedures, statistics and types of reports necessary for sound financial management of the Association, and to meet the requirements of lending and regulatory agencies and for necessary control, information required by the

Board of Directors.

- e. To purchase all equipment, vehicles, hardware, furniture, materials, and supplies within the limitations of the budget and Board policy. All purchases shall comply with applicable Association bylaws, policies and procedures. All purchases of major equipment or large quantities of materials for generation, transmission and substations shall be via competitive bids when feasible.
- f. To negotiate and approve contracts for construction in accordance with applicable Association procedures. Contracts in excess of \$1,000,000 (net to the Association) shall be submitted to the Board for approval.
- g. To approve purchase orders and contracts, including cumulative changes, if \$1,000,000 or less (net to the Association) for previously Board-approved projects and report on all active purchase orders and contracts over \$250,000 (gross) each quarter. Purchase orders and contracts exceeding \$1,000,000 (net to the Association) will be brought to the Board for approval prior to any commitments or expenditures being made.
- h. To approve change orders on purchase orders and contracts previously Board-approved, if the cumulative value of the changes is less than 15% of the original value. Change orders exceeding 15% of the original Board approved contract value or which cause the original value to exceed \$1,000,000 (net to the Association) will be brought to the Board for approval prior to any commitments or expenditures being made.
- i. To determine insurance coverages required for effective risk management and to negotiate purchase of such coverages within the limitations of the budget and Board policy.
- j. To authorize individual memberships in civic clubs and organizations and company memberships in local organizations in which membership would be helpful and to authorize payment of dues by the Association within the limitations of the budget and established Board policy.
- k. To ensure that an internal auditing function is in place to carry out necessary studies with reports to the Board by the Chief Executive Officer on the results of such studies as appropriate.
- l. After authorization of a bond issuance by the Board, to ensure that the documentation necessary for the issuance of bonds is prepared,

and to carry out negotiations with financing institutions for the sale of such bonds striving to achieve the lowest cost financing and to obtain approvals as are necessary for the sale thereof.

- m. Subject to Subsections (f) and (g) above: To negotiate and execute all documents relating to the purchase, use, sale, lease, or other transactions affecting real property, to exercise the power of eminent domain to acquire for projects described in an approved budget property which the Association has been unable to obtain by negotiation; to execute and deliver all environmental studies and reports; to make application for all permits relating to the operations of the Association; to design, route and determine the site for all facilities within the limitations of Board policy and the budget.
- n. To perform all acts necessary or incidental to the management of the operations of the Association, unless such acts are specifically reserved to the Board pursuant to law, the Association's articles of incorporation and bylaws, or Board policies.

5. Control

a. Operations

To submit periodic and special reports to the Board of Directors on conformity of operations with approved policies and programs and recommend any revisions requiring Board approval and to direct any remedial action required.

b. Finances

To submit periodic and special financial reports to the Board to keep them informed of the Association's financial position and conformance to financial plans and forecasts, and to see that all persons having access to cash or responsible for purchasing of materials are properly bonded in accordance with all requirements of the lending agencies.

c. Budgets

To report monthly to the Board on revenues and expenditures compared to budget. To recommend any revisions required, and to direct any necessary remedial action.

d. Annual Financial Audit

To participate with the Board in the review, with the auditor present,

of the annual financial audit and management letter. To direct any remedial action required and to ensure that the management letter, along with the Audit Report, is sent to each Board member prior to the meeting at which they are to be discussed.

e. Materials Management

1. To determine the amount of, and establish proper control of, all physical inventories to minimize investment in inventories needed to meet operating and construction needs.
2. To ensure that a system is established to accurately account for all materials used.

f. Member Complaints

To submit periodically to the Board of Directors an analysis of Member complaints and to take any corrective action required or to recommend appropriate revisions in Board policy.

g. Reliability of Service

To submit annually to the Board a report on service reliability and any remedial action taken.

h. Availability of Power Supply

To report periodically to the Board on load growth compared to availability of power and to recommend plans to meet anticipated growth to ensure an adequate and reliable supply for the Member at the lower possible costs consistent with sound business and management practices.

i. Power Costs

To continually study power costs compared to projections and to recommend to the Board, as far in advance as possible, any changes in power costs necessary to maintain financial strength and stability and to meet all requirements of lending and regulatory agencies.

j. Loss Control

To ensure that a loss control program is carried out to minimize and control losses due to accidents, environmental hazards and other risks.

k. Member Meetings

To report to the Board on the effectiveness of annual and other member meetings with recommendations on improvements which can be made.

III. RESPONSIBILITY

- A. The Chief Executive Officer shall report to the Board periodically on how these delegations are being carried out. Further delegations to the Chief Executive Officer may be made as required.

The Chief Executive Officer may delegate any of the foregoing authorities to the Acting Chief Executive Officer or other staff and the Acting Chief Executive Officer may act in any or all of these responsibility areas in the absence of and when designated to act for the Chief Executive Officer. The Chief Executive Officer is solely responsible for and accountable to the Board for the foregoing delegations of responsibility.

- B. The Board of Directors is responsible for approving any changes in the delegations to the Chief Executive Officer .

The Chairman of the Board shall be responsible for ensuring that the performance of the Chief Executive Officer is appraised each year by the Operations Committee of the Board and that a written report is made to the full Board on or before the second Board meeting in March of each year, but no later than April 23, on the results of such appraisal, including a recommendation on a salary adjustment when appropriate, and that the results of such appraisal are discussed with the Chief Executive Officer.

Date Approved: 18 June '13

Attested: *Patricia B. Jasper*
Secretary of the Board