

**CHUGACH ELECTRIC ASSOCIATION, INC.
ANCHORAGE, ALASKA**

GOVERNANCE COMMITTEE MEETING

AGENDA

Sam Cason, Chair
Erin Whitney, Vice Chair

Bettina Chastain
James Henderson
Rachel Morse

July 14, 2021

**Immediately Following the
Operations Committee Meeting**

Chugach Board Room

- I. CALL TO ORDER (6:30 p.m.)
 - A. Roll Call
- II. APPROVAL OF THE AGENDA*
- III. APPROVAL OF THE MINUTES*
 - A. June 16, 2021 (Bigelow)
- IV. PERSONS TO BE HEARD
 - A. Member Comments
- V. EXECUTIVE SESSION* (scheduled) (6:35 p.m.)
 - A. Board Policy 701 – Evaluation Process and Compensation Policy
 - B. Board Policy 702 – Chief Executive Officer – Search and Selection Policy
 - C. Board Policy 703 – Chief Executive Officer – Succession Plan
 - D. Board Policy 704 - Chief Executive Officer – Emergency Succession Plan
 - E. Board Policy 401 – Delegation of Authority – Board and Chief Executive Officer Relationship
- VI. NEW BUSINESS* (scheduled) (7:35 p.m.)
 - A. Board Policy 701 – Evaluation Process and Compensation Policy* (Clarkson/Committee)
 - B. Board Policy 702 – Chief Executive Officer – Search and Selection Policy* (Clarkson/Committee)
 - C. Board Policy 703 – Chief Executive Officer – Succession Plan* (Clarkson/Committee)
 - D. Board Policy 704 - Chief Executive Officer – Emergency Succession Plan* (Clarkson/Committee)
 - E. Board Policy 401 – Delegation of Authority – Board and Chief Executive Officer Relationship* (Clarkson/Committee)
- VII. DIRECTOR COMMENTS (7:45 p.m.)
- VIII. ADJOURNMENT* (8:00 p.m.)

* Denotes Action Items

** Denotes Possible Action Items

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

June 16, 2021
Wednesday
4:00 p.m.

GOVERNANCE COMMITTEE MEETING

Recording Secretary: Danielle Bigelow

I. CALL TO ORDER

Chair Cason called the Governance Committee meeting to order at 4:04 p.m. in the boardroom of Chugach Electric Association, Inc., 5601 Electron Drive, Anchorage, Alaska.

A. Roll Call

Committee Members Present:

Sam Cason, Chair

Bettina Chastain, Director (*arrived at 4:05 p.m.*)

Jim Henderson, Director (*via teleconference*)

Erin Whitney, Director (*absent*)

Rachel Morse, Director

Board Member Present:

Harold Hollis, Director

Mark Wiggin, Director (*via teleconference*)

Guests and Staff Attendance Present:

Lee Thibert

Julie Hasquet

Laurel Foster

Tyler Andrews

Meera Kohler, Member

Via Teleconference:

Connie Owens

Sherri Highers

Matthew Clarkson

Arden Quezon

Director Chastain arrived at 4:05 p.m.

II. APPROVAL OF THE AGENDA

Director Morse moved and Director Chastain seconded the motion to approve the agenda. The motion passed unanimously.

III. APPROVAL OF MINUTES

Director Morse moved and Director Chastain seconded the motion to approve the March 17, 2021, Governance Committee meeting minutes. The motion passed unanimously.

IV. PERSONS TO BE HEARD

- A. *Member Comments*
None

V. NEW BUSINESS

- A. *Election of Governance Committee Vice Chair (Committee)*
Chair Cason opened the floor to nominations for Vice Chair of Governance Committee.

Director Chastain nominated Director Whitney for the Vice Chair of the Committee. No other nominations were made.

Director Chastain moved and Director Morse seconded that the Governance Committee elect Director Whitney as the Vice Chair of the Governance Committee. The motion passed unanimously.

- B. *NRECA Resolution Processes (Committee/Kohler)*
Meera Kohler, Member, discussed the NRECA Resolution processes and responded to questions from the Committee.

- C. *Review Board Policy 208 – Statement of Functions of the Governance Committee (Committee)*
The Committee discussed Board Policy 208. Matthew Clarkson, Executive VP, General Counsel, stated there are no recommended changes to Board Policy 208.

- D. *Yearly Review of Requested Changes to Board Policies (Clarkson)*
1. *BP 100 – Code of Ethics for Directors and Employees (Clarkson)*
Matthew Clarkson, Executive VP, General Counsel, gave an overview of the changes made to Board Policy 100 – Code of Ethics for Directors and Employees, and responded to questions from the Committee.

After discussion, Chair Cason requested a motion to table Board Policy 101 until after the break.

Director Morse moved and Director Chastain seconded the motion to table Board Policy 101. The motion passed unanimously.

Chair Cason requested a recess at 5:20 p.m.

The meeting reconvened in open session at 5:38 p.m.

Director Morse moved and Director Chastain seconded the motion to un-table Board Policy 101. The motion passed unanimously.

After further discussion, Director Morse moved and Director Chastain seconded the motion that the Governance Committee recommends the Board of Directors approve revisions to Board Policy 100 – Code of Ethics, as shown in the attached draft policy and as discussed in the Committee. The motion passed unanimously, as amended.

2. *BP 105 – Confidential Information (Clarkson)*

Matthew Clarkson, Executive VP, General Counsel, gave an overview of the changes made to Board Policy 105 – Confidential Information, and responded to questions from the Committee.

After discussion, Director Morse moved and Director Chastain seconded the motion that the Governance Committee recommends the Board of Directors approve revisions to Board Policy 105 – Confidential Information, as shown in the attached draft policy and as discussed in the Committee. The motion passed unanimously, as amended.

3. *BP 107 – Representative Re: Jointly Operated Assets (Clarkson)*

Matthew Clarkson, Executive VP, General Counsel gave an overview of the changes made to Board Policy 107 – Representative Re: Jointly Operated Assets and responded to questions from the Committee.

Director Morse moved and Director Chastain seconded the motion that the Governance Committee recommends the Board of Directors approve revisions to Board Policy 107, Authority of the Association – Appointed Representative Regarding Jointly Owned and Operated Assets, as shown in the attached draft policy. The motion passed unanimously.

4. *BP201 – Open Meetings & Executive Sessions of the Board (Clarkson)*

Matthew Clarkson, Executive VP, General Counsel, gave an overview of the changes made to Board Policy 201 – Open Meetings & Executive Sessions of the Board of Directors.

Director Morse moved and Director Chastain seconded the motion that the Governance Committee recommends the Board of Directors approve revisions to Board Policy 201 – Open Meetings and Executive Sessions of the Board of Directors, as shown in the attached draft policy. The motion passed unanimously.

5. *BP 202 – Procedures for Board of Directors Meetings (Clarkson)*

Matthew Clarkson, Executive VP, General Counsel, gave an overview of the changes made to Board Policy 202 – Procedures for Board of Directors Meetings, and responded to questions from the Committee.

Director Morse moved and Director Chastain seconded the motion that the Governance Committee recommends the Board of Directors approve

revisions to Board Policy 202 – Procedures for Board of Directors Meetings, as shown in the attached draft policy. The motion passed unanimously.

6. *BP 209 – Indemnification of Directors (Clarkson)*

Matthew Clarkson, Executive VP, General Counsel, gave an overview of the changes made to Board Policy 209 – Indemnification of Directors, Officer, Employees and Agents, and responded to questions from the Committee.

Director Morse moved and Director Chastain seconded the motion that the Governance Committee recommends the Board of Directors approve revisions to Board Policy 209 – Indemnification of Directors, Officer, Employees and Agents, as shown in the attached draft policy. The motion passed unanimously.

7. *BP 401 – Delegations of Authority from the Board of Directors (Clarkson)*

Matthew Clarkson, Executive VP, General Counsel, and Lee Thibert, Chief Executive Officer, gave an overview of the changes made to Board Policy 401 – Delegations of Authority from the Board of Directors to the Chief Executive Officer and responded to questions from the Committee.

Director Morse moved and Director Chastain seconded the motion that the Governance Committee recommends the Board of Directors approve revisions to Board Policy 401 – Delegations of Authority from the Board of Directors to the Chief Executive Officer, as shown in the attached draft policy and as further discussed in the Committee. The motion passed unanimously, as amended.

E. *Presentation – Member Advisory Council (MAC) (Hasquet)*

Julie Hasquet, Senior Manager, Corporate Communications, presented on the Member Advisory Council and responded to questions from the Committee.

After discussion, the Committee stated that Julie Hasquet will coordinate with Lee Thibert and draft a write-up within 10-days for Committees' review.

VI. EXECUTIVE SESSION

A. *CEO Succession Plan*

At 6:57 p.m., Director Morse moved, and Director Chastain seconded the motion that pursuant to Alaska Statute 10.25.175(c)(2) the Governance Committee go into executive session to discuss personnel matters that tend to prejudice the reputation and character of a person; however, the person may request a public discussion. The motion passed unanimously.

The meeting reconvened in open session at 7:18 p.m.

Chair Cason informed the Committee that an ADHOC committee has been appointed to consider the succession planning policies consisting of Directors Cason, Whitney, and Chastain to serve as the Chair of the Committee.

Chair Cason informed the Committee that an additional Governance Committee Meeting has been scheduled, immediately following the July 14, 2021, Operations Committee Meeting.

VII. DIRECTOR COMMENTS

Director comments were made at this time.

VIII. ADJOURNMENT

At 7:25 p.m., Director Chastain moved and Director Morse seconded the motion to adjourn. The motion passed unanimously.

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

GOVERNANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 14, 2021

ACTION REQUIRED

AGENDA ITEM NO. VI.A.

| | |
|---------------------|--------------------------|
| <u> </u> | Information Only |
| <u> X </u> | Motion |
| <u> </u> | Resolution |
| <u> </u> | Executive Session |
| <u> </u> | Other |

TOPIC

New Board Policy 701 – Chief Executive Officer Evaluation Process and Compensation

DISCUSSION

The Board of Directors (Board) is authorized to make, adopt, and enforce policies, rules, and regulations, consistent with the law, articles of incorporation, and bylaws, as it may deem advisable for the management of the affairs and business of the Association for the protection of its investment, and for the interest and welfare of the members thereof. The attached new Board Policy 701 – Chief Executive Officer Evaluation Process and Compensation falls within that authority.

MOTION

Move that the Governance Committee recommend the Board of Directors adopt the attached Board Policy 701 – Chief Executive Officer Evaluation Process and Compensation as discussed in Executive Session.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 701

CHIEF EXECUTIVE OFFICER EVALUATION PROCESS AND COMPENSATION

I. OBJECTIVE

To provide a competitive total compensation package consistent with market-based compensation practices which will provide Chugach Electric Association, Inc. (Association) the ability to attract, retain, and motivate a highly qualified Chief Executive Officer (CEO) possessing the experience and skills needed to enhance the overall performance of the organization. This policy shall be used as a tool to guide the Board's contract negotiations with potential CEO candidates. In the event of a conflict between this policy and an existing CEO Employment Agreement, the CEO Employment Agreement shall control.

II. CONTENT

The Association believes that strong and effective leadership is the cornerstone to its continued success. The CEO evaluation process and compensation program is designed to attract and retain a high-caliber CEO; provide a market-based, competitive, total compensation package, including benefits; strongly support a "pay for performance" culture; support the goals of the organization; reward individual accomplishment and organizational success; balance the need to be competitive within the scope of available financial resources; and ensure that the total compensation package complies with state and federal laws.

III. EXPECTATION

- A. The Board will conduct a compensation analysis utilizing an appropriate peer group to benchmark pay. While the market for executive talent is generally considered to be national; the utilization of regional and state data as comparables may also be appropriate. Salary information from several compensation surveys will be used. Compensation will be determined by evaluating the base and annual incentive compensation of similar executive positions, at organizations that are reasonable and comparable with respect to the organization's revenues, assets, complexity, and number of members. This formal assessment will take place at least every other year. In the year the assessment is not conducted, the previous year's information will be reviewed and utilized to set compensation.
- B. The Board will define the compensation philosophy and competitive positioning for the CEO position. In general, the Board recognizes that the Association, as a whole, positions executive base pay at the 50th percentile of market. Target incentive will be determined based on a percentage of base salary. Compensation is designed to be flexible and compensation can be above or below the midpoint of the range based on experience, performance, and the business need to attract and/or retain talent.

- C. The compensation setting process is defined as follows:
1. The Board will engage a qualified independent compensation consultant to recommend compensation levels (ranges) and provide documentation of the process.
 2. All communication with the consultant, including soliciting bids for the work, collecting the compensation data, and reviewing the final work product, will be conducted directly with the Evaluation Committee through the Committee Chair. The Executive Vice President, Employee Services and Communication will assist the Committee Chair by working with the consultant on details of the engagement.
 3. The Compensation Committee, at its discretion, may obtain compensation information from other resources for comparability purposes in evaluating the recommendation of the consultant.
 4. Documentation of the process, including the agreed to compensation amount will be provided to the Association's General Counsel. Copies of the documentation will be maintained by the General Counsel.
- D. If the CEO has an employment contract, it may include, but not be limited to, compensation, benefits, performance compensation, separation and severance agreements and other special terms of employment.
- E. The Chugach Board will perform a formal evaluation of the CEO's performance annually. The results of the performance evaluation, and achievement of goals as outlined in the incentive pay plan document will be considered when making the decision regarding the CEO's compensation.
- F. The Board will meet in executive session to review the results of the performance evaluation, contract terms, if applicable, and compensation adjustment recommendations. The CEO may not be present during voting or deliberations with respect to his or her evaluation or compensation. The Board will approve the CEO's base salary and annual target incentive opportunity adjustments, if any, on an annual basis.
- G. Based on the performance evaluation and input from the Board, the Board Chair will meet with the CEO to review the results of the performance evaluation; relay compensation adjustments, if any; provide feedback to the CEO to enhance their effectiveness and discuss expectations and goals for the upcoming year's annual performance review and incentive pay plan. The Board Chair can delegate the provisions in section G. to the any Board Officer or combination of Officers.

IV. RESPONSIBILITY

- A. The Board Chair shall be responsible for ensuring adherence to this policy.
- B. The Board shall be responsible for fulfilling its duties as defined in the policy, which at a minimum, will include (1) working directly with the compensation consultant; and (2) unless delegated, discussing the results of the performance evaluation and compensation adjustment with the CEO.
- C. The Board (or sub-committee of the Board) is responsible for establishing the performance evaluation process and ensuring that the performance of the CEO is appraised each year by the Board.
- D. The Board is responsible for completing the annual CEO appraisal and approving a salary adjustment or any employment contract revisions, when appropriate.

Date Approved: July __, 2021

Attested: _____
James Henderson
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

GOVERNANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 14, 2021

ACTION REQUIRED

AGENDA ITEM NO. VI.B.

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|---------------------|--------------------------|
| <u> </u> | Information Only |
| <u> X </u> | Motion |
| <u> </u> | Resolution |
| <u> </u> | Executive Session |
| <u> </u> | Other |

TOPIC

New Board Policy 702 – Chief Executive Officer Search and Selection

DISCUSSION

The Board of Directors (Board) is authorized to make, adopt, and enforce policies, rules, and regulations, consistent with the law, articles of incorporation, and bylaws, as it may deem advisable for the management of the affairs and business of the Association for the protection of its investment, and for the interest and welfare of the members thereof. The attached new Board Policy 702 – Chief Executive Officer Search and Selection falls within that authority.

MOTION

Move that the Governance Committee recommend the Board of Directors adopt the attached Board Policy 702 – Chief Executive Officer Search and Selection as discussed in Executive Session.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 702

CHIEF EXECUTIVE OFFICER SEARCH AND SELECTION

I. OBJECTIVE

The purpose of this policy is to establish, in advance, a sound approach that the Board can follow in searching for and selecting the most qualified person available for the position of Chief Executive Officer (CEO) when a vacancy is anticipated and to ensure that this is done on a planned systematic basis, however, this policy does not guarantee or ensure the selection of a successful CEO.

II. CONTENT

- A. If a permanent change in leadership is required, the Board Chair shall take responsibility for ensuring that all elements of the policy are executed. The Board shall also appoint a Committee and Chair for the Search and Selection process.
- B. The Search Chair, in coordination with the Executive VP, Employee Services and Communications, authors internal employee communication and external member communication documents and authorizes appropriate staff to distribute.
- C. The Search Chair will be responsible for ensuring absolute confidentiality of all elements of the process, noting that every meeting, discussion, written document and observation are confidential and privileged information available only to the Board and those designated by the Board to be privy to such information.
- D. The Board will review the Strategic Plan, CEO Position Description, Delegation of Authority to the CEO policy, the current and expected business and regulatory environment and any other pertinent documentation or information for the purpose of prioritizing critical skills and/or qualifications a candidate should have to successfully fill the position of CEO.
- E. The Board will engage an executive search firm to advise and assist them in the CEO search and selection. The Board will instruct the appropriate staff to solicit proposals from a minimum of three search firms being considered for the assignment. The Board will examine the qualifications and past experience with placement of similar executives.
- F. The Board will establish a compensation range and benefits package, consistent with the Chief Executive Officer Evaluation Process and Compensation Policy to be communicated to potential candidates. The benefits and compensation package may include relocation expenses and other considerations.

- G. Persons currently employed by the cooperative will be eligible to express an interest in the position of CEO. Such internal candidates shall be considered along with external candidates. Only those internal candidates who meet the qualifications identified in the CEO Job Description will be afforded an interview with the Board.
- H. Current Board members are not eligible to apply for the CEO position in accordance with Article IV, Section 3 of the corporate by-laws.
- I. If potential candidates contact any Board member, they will be directed to contact the executive search firm.
- J. The Search Committee will work with the executive search firm to recruit and assess qualified candidates. Details of the search process will be outlined in the executive search contract.
- K. The final candidate(s) shall be interviewed by the full Board and a selection made based on a consensus vote of the Board.
- L. Upon receiving Board approval of a specific candidate and any other necessary approval, the Board Chair shall formalize and extend an offer of employment to the selected candidate through the Executive Search firm and consistent with sound business practice, subject to any prior limitations established by the Board.
- M. The Board will send out an announcement as soon as practical after the offer is accepted. The Board will require that the candidate maintain confidentiality until the Board announcement is made.

III. RESPONSIBILITY

- A. The Board Chair shall see that this policy is carried out.
- B. The Board is responsible for the final selection of the CEO.

Date Approved: July __, 2021

Attested: _____
James Henderson
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

GOVERNANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 14, 2021

ACTION REQUIRED

AGENDA ITEM NO. VI.C.

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|---------------|--------------------------|
| <u> </u> | Information Only |
| <u> X </u> | Motion |
| <u> </u> | Resolution |
| <u> </u> | Executive Session |
| <u> </u> | Other |

TOPIC

New Board Policy 703 – Chief Executive Officer Succession Plan

DISCUSSION

The Board of Directors (Board) is authorized to make, adopt, and enforce policies, rules, and regulations, consistent with the law, articles of incorporation, and bylaws, as it may deem advisable for the management of the affairs and business of the Association for the protection of its investment, and for the interest and welfare of the members thereof. The attached new Board Policy 703 – Chief Executive Officer Succession Plan falls within that authority.

MOTION

Move that the Governance Committee recommend the Board of Directors adopt the attached Board Policy 703 – Chief Executive Officer Succession Plan as discussed in Executive Session.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 703

CHIEF EXECUTIVE OFFICER SUCCESSION PLAN

I. OBJECTIVE

The Board of Directors of Chugach Electric Association, Inc. recognizes that succession planning is critical to the future success of the organization. The purpose of this plan is to provide for continuity of executive leadership and to avoid an extended leadership vacancy. The Board further recognizes its responsibility to adopt and utilize a plan that is objective rather than subjective as to how the Board will approach replacing the Association's Chief Executive Officer (CEO). This plan outlines the action steps that the Board has previously decided on and will consistently use to recruit and/or develop a new CEO in the event of a planned or unplanned vacancy of the current CEO office holder.

This plan is intended to compliment and fulfill the objectives and expectations contained in the Association's Chief Executive Officer Search & Selection Policy.

II. CONTENT

A. Key actions to be addressed in carrying out the Succession Planning Process.

1. Review of the Association's Bylaws, Vision, Purpose, Values, Mission Statement and Strategic Plan. Identify the issues, priorities, and goals that a new CEO will be expected to address.
2. The competencies, skills, experience, and compensation needed to lead the Association have been identified and are contained in the CEO position description.
 - a) The Board will consider whether the Association currently has personnel developed and nurtured in key leadership positions who are capable and willing to fill the vacancy.
 - b) If there is a significant gap between the outgoing and incoming CEO the Board will hire an Interim CEO to fill in while the Board is conducting the search and selection process. The Interim CEO shall serve only on a temporary basis and shall not be eligible to serve as the new permanent CEO.

B. Protocols and actions for planned vacancy.

The Board will:

- a) Determine the current CEO's planned departure date.

- b) Select an Executive Search Firm to help with identifying, soliciting, and screening potential CEO candidates for interviews with the Board.
 - c) Appoint a Search Chair and Committee to oversee the new CEO recruitment, interview, selection and transition timeline process based on the current CEO's planned departure date
 - d) Determine the limited role, if any, the current CEO will contribute to the process.
 - e) Determine the amount of resources that need to be budgeted for implementing the succession plan and search.
- C. Plan fundamentals.
- 1. Every two years the Board will review the succession plan and update as necessary. This will include a review of:
 - a) The Association's Articles of Incorporation and Bylaws;
 - b) The Association's Vision, Purpose, Values, Mission Statement and Strategic Plan;
 - c) The Policies on CEO Search & Selection, CEO Evaluation and Compensation, and Delegation of Authority;
 - d) The CEO Job Description;
 - e) The CEO's report regarding the development of internal staff based on the competencies, skills, and requirements of the position.
 - 2. At least nine months prior to the planned departure of the CEO, the Board will need to determine:
 - a) Selection of an appropriate Executive Search Firm; and
 - b) The expenses that candidates will be reimbursed as part of the screening/interview process;
 - 3. The Executive Search Firm will be instructed to:
 - a) Compare all potential candidate(s), internal and external, against the CEO Job Description; and
 - b) Based on the Executive Search Firm's review and analysis of the above, it will make a recommendation to the Board of Directors as to what candidates to advance to the interview process.

4. At least three months in advance of the planned departure of the CEO, the Board will interview candidates and shall determine which candidate will be offered the position of CEO. Any offer shall be maintained in confidence until the candidate confirms acceptance of the Board's offer.
5. The Executive Search Firm authorized by the Board Chair should communicate with the Board's selected candidate immediately after the Board has made its decision and offer him/her the position (within 24 hours).
6. Immediately upon the candidate's agreeing to accept and assume the position of CEO the Executive Search Firm should communicate the Board's decision to the other candidate(s) interviewed by the Board.
7. Within 48 hours of the Board's selection of a new CEO and the candidate's acceptance of the Board's offer of the position, the Board Chair, along with the current CEO, should cause communications announcing the hiring of a new CEO and the date he/she will assume the position to the employees, membership, to be distributed to the media within the Association's service territory or that the Association has business relationships with.
8. At least 30 days prior to the CEO designate assuming the position, the Board Chair, along with the departing CEO, shall:
 - a) Provide for a Board orientation;
 - b) Introduce the CEO designate to Association employees;
 - c) Provide for a tour of the Association facilities/territory;
 - d) Involve the CEO designate in the development of the agenda for the next Board of Directors Meeting at which he/she will take part as the new CEO;
 - e) Prepare any documents that may be required to confirm the name of the new CEO and the date on which he/she will assume the position and be authorized to act in the capacity of Chief Executive Officer.
9. In the event that the newly selected CEO is an internal candidate, within 30 Days before the CEO's departure, he/she, in collaboration with the new CEO designate will collaborate on the recruitment, and proceed with the interviewing and hiring of an individual to fill the internal CEO candidate's current position

IV. RESPONSIBILITIES

The Board of Directors and the Chief Executive Officer shall undertake reasonable efforts to ensure compliance with this Policy.

Date Approved: July __, 2021

Attested: _____
James Henderson
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

GOVERNANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 14, 2021

ACTION REQUIRED

AGENDA ITEM NO. VI.D.

| | |
|---------------------|--------------------------|
| <u> </u> | Information Only |
| <u> X </u> | Motion |
| <u> </u> | Resolution |
| <u> </u> | Executive Session |
| <u> </u> | Other |

TOPIC

New Board Policy 704 – Chief Executive Officer Emergency Succession Plan

DISCUSSION

The Board of Directors (Board) is authorized to make, adopt, and enforce policies, rules, and regulations, consistent with the law, articles of incorporation, and bylaws, as it may deem advisable for the management of the affairs and business of the Association for the protection of its investment, and for the interest and welfare of the members thereof. The attached new Board Policy 704 – Chief Executive Officer Emergency Succession Plan falls within that authority.

MOTION

Move that the Governance Committee recommend the Board of Directors adopt the attached Board Policy 704 – Chief Executive Officer Emergency Succession Plan as discussed in Executive Session.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 704

CHIEF EXECUTIVE OFFICER EMERGENCY SUCCESSION PLAN

I. OBJECTIVE

The Board of Directors of Chugach Electric Association, Inc. recognizes that Chief Executive Officer (CEO) emergency succession planning may be required, is critical to the future success of the organization and provides for continuity of executive leadership in the event of a disability, death or departure of the CEO. If the organization is faced with the event of an untimely vacancy of the position the Association has in place the following emergency succession plan to facilitate the transition to both interim and longer-term leadership. This plan outlines the action steps that the Board has previously decided on and will use to replace the CEO in the event of an unplanned vacancy of the current CEO office holder.

II. CONDITIONS

The Emergency Succession Plan shall be invoked if the Cooperative's CEO experiences a condition or circumstance that will prevent him/her from:

- A. Effectively performing the duties outlined in the position description (Attachment A), or
- B. Effectively supervising and providing leadership for the senior management staff, or
- C. Effectively managing the affairs of the Cooperative.
- D. In the event of a conflict between this Policy and an applicable CEO Employment Agreement, the CEO Employment Agreement shall control.

III. NOTIFICATION

In the event of an unplanned absence of the CEO, the COO (or other highest-ranking staff member) is to immediately inform the Board Chair (or highest-ranking board member) of the absence. As soon as it is feasible, the Chair should convene a meeting of the Board affirm the procedures prescribed in this plan or to make modifications as needed.

IV. SPECIAL BOARD MEETING

The Board Chair will convene a Special Board Meeting to take action to designate an "Interim or Acting CEO" as a temporary action.

The Board Chair will convene a meeting with all employees to report on the Board's action and plans for an Interim or Acting CEO and the process for naming a permanent successor.

The Board Chair will cause communications from the Association to be dispatched to all members and the media immediately after the "Special Board Meeting" and report the Board's action confirming an "Interim or Acting CEO" and the process and timeline for identifying a permanent new CEO, depending on circumstances.

V. INFORMATION MANAGEMENT

- A. Spokespersons – The Board Chair and the Executive VP, Employee Services and Communications shall be designated to be the official spokespersons for the Association regarding this issue. No other person may speak on behalf of the Association unless authorized by the Board Chair.
- B. Theme – The underlying theme of all communications shall be that the Board has the affairs of the Association under control and that resolution of the situation is underway.
- C. Financial Institution Communications – The Board Chair will authorize the interim CEO to promptly notify all financial institutions where the Association has financial arrangements (i.e., deposit accounts, credit lines, investments, et al.).
- D. Member Communications – After communication to employees, direct communication to members is most critical. The Executive VP, Employee Services and Communication or their designee shall immediately prepare a statement that will be distributed, after the approval of the Board Chair and the Attorney, to members. The statement will also be published on the Association's website.
- E. Industry & External Communications – Following distribution of a statement to members, the Executive VP, Employee Services and Communication or designee shall distribute a press release. The press release shall be sent to the following: Industry media, utility associations, Chambers of Commerce, and local media.
- F. Talking Points – the Executive VP, Employee Services and Communications, or his/her designee, shall craft talking points to distribute to all internal stakeholders (Board and employees) so that messaging is consistent if/when members or other external parties inquire about the announcement.
- G. Communications Content – Press releases and other announcements shall include and/or consider the following:
 - 1. Name of Interim or Acting CEO, including a brief biography.

2. If CEO will not be returning, provide a brief description of the search and selection process the Board will follow in hiring the next CEO.
 3. If the CEO was discharged or resigned, the Association's General Counsel shall review all written announcements before distribution and provide counsel prior to oral public statements.
 4. In the event of the death of the CEO, include the death announcement with time and date.
- H. Pending Electronic Communications – The (Executive Assistant or other designated staff member) shall be authorized to access the CEO's Association-issued e-mail account and other electronic equipment to monitor and assure response to legitimate communications. The Senior Manager of Information Technology shall also secure and monitor the CEO's Association-issued cell phone, tablet, and other electronic devices, if issued.

IV. RESPONSIBILITIES

- A. The Board of Directors and the Chief Executive Officer shall undertake reasonable efforts to ensure compliance with this Policy.

Date Approved: July __, 2021

Attested: _____
James Henderson
Secretary of the Board

CHUGACH ELECTRIC ASSOCIATION, INC.
Anchorage, Alaska

GOVERNANCE COMMITTEE MEETING
AGENDA ITEM SUMMARY

July 14, 2021

ACTION REQUIRED

AGENDA ITEM NO. VLE

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|---------------|--------------------------|
| <u> </u> | Information Only |
| <u> X </u> | Motion |
| <u> </u> | Resolution |
| <u> </u> | Executive Session |
| <u> </u> | Other |

TOPIC

Board Policy 401 – Delegation of Authority and Relationship Between the Board of Directors and Chief Executive Officer.

DISCUSSION

The Board of Directors (Board) is authorized to make, adopt, and enforce policies, rules, and regulations, consistent with the law, articles of incorporation, and bylaws, as it may deem advisable for the management of the affairs and business of the Association for the protection of its investment, and for the interest and welfare of the members thereof. The attached revised Board Policy 401 – Delegation of Authority and Relationship Between the Board of Directors and Chief Executive Officer falls within that authority. This revised policy is intended to replace existing Board Policy 401 and 402.

MOTION

Move that the Governance Committee recommend the Board of Directors (1) adopt the attached revised Board Policy 401 – Delegation of Authority and Relationship Between the Board of Directors and Chief Executive Officer, and (2) repeal current Board Policy 402 – Board of Directors and Chief Executive Officer Relationship.

CHUGACH ELECTRIC ASSOCIATION, INC.

BOARD POLICY: 401

DELEGATION OF AUTHORITY AND RELATIONSHIP BETWEEN THE BOARD OF DIRECTORS AND THE CEO

I. OBJECTIVE

To delegate authority to the Chief Executive Officer (CEO), and to express the Board's expectations regarding performance and accomplishments of the CEO, and to define the relationship between the Board and the CEO.

II. CONTENT

The CEO is the chief executive officer of the corporation, capable of binding it legally within defined financial limits and responsible for day-to-day operations. To enable Chugach Electric Association, Inc., to achieve its mission, the CEO shall have the authority necessary to carry out those responsibilities and the expectations set forth below. In addition, the principles and guidelines set out below shall set the boundaries of the Board/CEO relationship.

III. DELEGATED AUTHORITY

Under the Board's direction, guidance, and oversight, the following responsibilities and corresponding authority are delegated by the Board to the CEO:

- A. Engage the Board in a formal strategic planning process on an annual basis;
- B. Develop and implement goals and objectives that align with the cooperative's strategic plan. Provide quarterly updates to the Board;
- C. Develop short and long-range financial, cash management, equity management, power supply, power requirements, load forecasts, need for generation and transmission facilities, procurement of fuel, marketing, member engagement and public relations, materials management, construction work plans and annual budgets for recommendation to the Board, and provide timely reports on revenue, expenses and other results compared to such plans;
- D. Administer the approved budget, including approval of non-budgeted items or budget changes of not more than \$1,000,000 and 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;
- E. Ensure prudent financial, asset management, and contracts policies, procedures, and guidelines are established and maintained.

- F. Approve Association purchase orders and contracts, including cumulative changes, if \$2,000,000 or less (net to the Association). Purchase orders and contracts exceeding a total cost of \$2,000,000 (net to the Association) shall require Board approval.
- G. Approve change orders or amendments to Board-approved purchase orders and contracts if the cumulative value of the change is less than 15% of the original value. Change orders or amendments exceeding 15% of the original value shall be brought to the Board for approval.
- H. Formulate operating policies and procedures for the organization; including administrative policies. Ensure policies, procedures and guidelines are consistent with Board policies for execution of enterprise-wide risk management and safety controls;
- I. Direct and promote an effective employee and public safety program; Create and maintain a culture that motivates employees to engage in work practices that avoid accidents and injuries; and to educate members regarding the safe use of electricity;
- J. Accept invitations to participate in or designate other staff members to participate in national, state, and local meetings which further the best interests of the Association, within the limitations of Board policy and the approved budget. Participation by the CEO in such activities which require considerable time over a sustained period requires approval of the Board;
- K. Coordinate with APA and NRECA regarding state and federal legislative and regulatory matters consistent with Board Policy 503 and recommend to the Board whether Chugach should adopt a position in regard to such matters;
- L. Monitor and report to the Board on the Association's legal matters;
- M. As necessary, analyze the system's rates along with service rules and regulations to make sure they meet operating, financing, and any other requirements and make appropriate recommendations to the Board;
- N. Organize, plan, and execute the annual and other member meetings as well as Board and Board committee meetings as requested by the Board;
- O. Direct all staffing of the Association and related human resources policies, practices, and procedures including organizational structure, recruiting, hiring, training, development, job descriptions, benefits, annual appraisal process, terminations, and succession planning;

- P. Develop an employee compensation and benefit program for Board approval;
- Q. Determine all salary adjustments, except the CEO's, within the approved compensation program and within the limitations of the budget. Salary adjustments for the CEO shall be decided by the Board of Directors;
- R. Ensure that overtime is controlled and report to the Board annually on overtime as a percent of payroll compared to previous years and the results of efforts to control this expense;
- S. Negotiate and administer bargaining unit contracts. Make appropriate recommendations to the Board for approval;
- T. Direct forecasting and the use of such information in planning for power supply and delivery requirements, energy management, risk management, and related requirements. Direct conservation efforts, demand response, and environmental requirements analysis;
- U. Ensure that appropriate accounting and record-keeping practices, risk management processes, and internal controls are in place and working effectively;
- V. Conduct an annual measurement of member needs and satisfaction with current and proposed service and/or product offerings;
- W. Participate and support efforts that contribute to the economic and social development of the broad community that the Association serves with the intent of enhancing members' quality of life and building a loyal membership base;
- X. Designate an appropriate person to serve as acting CEO in the limited absence of the CEO, such as vacations or professional events;
- Y. Designate an appropriate person to serve as acting CEO in the event of an emergency. This individual would serve temporarily as acting CEO in the event of an immediate and unplanned CEO departure, as outlined in the CEO Emergency Succession Plan Policy, until the Board takes appropriate action, at a meeting to be convened within three days. Such designation shall be made immediately by the CEO and reviewed on an as-needed basis to ensure the CEO's designee remains willing and able to serve during an emergency. The CEO shall report such designation to the Board once made;
- Z. Maintain an ongoing systematic succession planning process, as well as a succession plan for key staff and share the appropriate level of information with the Board annually;

- AA. Direct day-to-day operations of the Association except as specified otherwise by the bylaws or the Board;
- BB. Subject to subsection F above, procure real property, equipment, facilities, insurance coverage and any other necessary resources for operating the Association;
- CC. Select and appoint outside consultants and negotiate contracts or agreements for services of such consultants, within the limitations of policy, the work plan, and budget;
- DD. Serve as the principal representative for the Association with the primary responsibility to establish constructive and positive relationships with key stakeholders. Develop and maintain public, business, and political alliances that are beneficial to the Association's members;
- EE. Leverage the Association's resources to take full advantage of the Association's network and contribute to its success by being an engaged participant;
- FF. Perform and/or delegate tasks outlined in the CEO's job description.
- GG. 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 Articles of Incorporation, Bylaws, or Board policies.

IV. EXERCISE OF DELEGATED AREAS OF RESPONSIBILITY

- A. The CEO is authorized, except as otherwise limited by law, the articles of incorporation, bylaws, or board policies, to delegate appropriate authority to immediate staff and authorize further delegation of authority to any level of management with full recognition that the CEO cannot be relieved of overall responsibility or any portion of accountability.
- B. The CEO must exercise due care in such delegations and regularly monitor the compliance of the areas delegated.

V. WORKING WITH THE BOARD

Ensuring the success of the Association requires a team effort between the Board and management that is based on mutual respect and support. At the same time, the Board must maintain its governance role, that is, to oversee, monitor and guide with full engagement, the Association and to protect the interests of the organization and its members. To fulfill these expectations, the CEO shall:

- A. Develop, with the Board an annual schedule of topics to be discussed and reports to be presented to the Board to ensure that adequate attention can be devoted to strategic issues and challenges;
- B. Assist the Board Chair in developing an agenda for each Board meeting and ensure that all appropriate information and reports are provided to the Board and its committees in a timely fashion;
- C. Ensure that staff advice and assistance is available to the Board and its committees;
- D. Report to the Board on conformity of operations with approved policies, plans, and budgets, and recommend revisions requiring board approval;
- E. Review with the Board and its designated committees, the annual financial audit, monthly financial statements, progress on strategic plan initiatives, periodic reports or evaluations of internal controls and risk management system, ethics and compliance programs, and all other items delegated within this policy;
- F. Seek the Board's advice and counsel whenever it is needed or desired.

VI. LIMITATIONS

The Board will maintain the following principles and guidelines in its relationship with the CEO:

- A. The Board is responsible for directing the affairs of the Association. It reserves authority to establish policies, approve plans and programs, exercise fiduciary oversight, employ a CEO, engage outside counsel, hire a professional CPA firm to conduct the financial audit, engage consultants as deemed necessary, and act as trustees of member interests;
- B. The Board recognizes that good management is the most important factor in the success of the Association. The CEO must be delegated sufficient authority to manage the operations of the corporation on a day-to-day basis. Although delegated, these powers are expansive in nature and substantial in depth. The CEO is expected to make decisions within the bounds of their authority that bind the Association legally and that impact its on-going viability. The Board further recognizes that management can be effective only if there is mutual understanding and joint cooperation. The CEO is expected to produce results and give an account to the Board. The best results cannot be achieved unless the CEO is given latitude to perform within the confines of board policy. It is the Board's responsibility to clearly identify any limits on management discretionary decision making;

- C. The Board has delegated to the CEO a significant level of power and authority and has designated this person as a corporate officer. Therefore, this person serves as the Chief Executive Officer of the corporation;
- D. The Board delegates to the CEO the authority to execute and carry out plans, programs, and policies. In addition to the powers delegated in section “Expectations” above, the CEO is expected to provide advice and counsel to the Board, and to take the lead in ensuring that important issues are presented and explained to the Board in a timely fashion;
- E. The flow of authority shall be from the Board as a whole to the CEO to employees.
- F. The Board is responsible for ensuring that the CEO knows and understands its expectations and any limitations it has placed on discretionary decision making. These expectations and limitations should be identified in approved policies or plans. Such policies and plans should be used as the foundation for an annual appraisal of the CEO’s performance.

VII. RESPONSIBILITY

- A. The Board Chair will be responsible for ensuring adherence to this policy.
- B. The CEO shall report to the Board on how these delegations are being carried out. The CEO may delegate any of the foregoing authorities to the appropriate staff.
- C. The Board is responsible for ensuring that the performance of the CEO is appraised each year and that clear goals are established by the Board, including a recommendation on a salary adjustment when appropriate, and that the results of such appraisal are discussed with the CEO.

Date Approved: July __, 2021

Attested: _____
James Henderson
Secretary of the Board