

ORCAS POWER AND LIGHT COOPERATIVE

OPALCO POLICY 10 SERVICES OF CONSULTANTS

10.1 OBJECTIVE

- 10.1.1 To establish the policy governing the selection, employment and use of consultants.
- 10.1.2 To define the relationships existing between employed consultants, the board of directors, and the general manager.

10.2 POLICY

The Board of Directors of the Orcas Power and Light Cooperative recognizes the need for outside consultants.

10.2.1 Employment and Use of Consultants

It is recognized that effective management is the most important factor which contributes to the success of OPALCO. There is, however, a need for the services of consultants to supply the board of directors and the general manager with advice and assistance that will provide for well informed decisions.

The general manager will provide for consultation services in the estimated annual operating budget. The budget will provide for the use of specialized technical knowledge for the following areas as required.

10.2.1.1 Engineering

Engineers specially employed for a specific project or on a continuing basis system studies, inspection of completed work orders, and performing other specialized duties on the basis of regular and special requirements.

10.2.1.2 Accounting

Certified public accountants employed for the financial audit of the accounting records and related practices to meeting the requirements of (RUS) and CFC and effective internal financial management.

10.2.1.3 Management

Management consultants employed to study, analyze, and recommend improvements in management practices for OPALCO.

10.2.1.4 Other

Consultants desired for their specialized technical knowledge.

10.2.2 Selection of Consultants

10.2.2.1 The board of directors' approval shall be required:

10.2.2.1.1 for consultant contracts which obligate the cooperative for a period of more than one year.

10.2.2.1.2 for consultant contracts with attorneys and auditors.

10.2.2.1.3 for consultant contracts for professional services that exceed \$49,999.00.

10.2.2.2 The general manager shall be responsible for recommending the best qualified persons or firms.

10.2.2.3 Authority is delegated to the general manager for the selection of consultants when their services are needed to serve as an advisor to the general manager on specific operating problems.

10.2.3. Relationships

10.2.3.1 Attorney

10.2.3.1.1 The attorney is appointed by the board of directors for an indefinite term to advise and represent the cooperation.

10.2.3.1.2 The attorney will work directly with the board of directors to determine that proposed actions of the board of directors are within the law. The attorney will work directly with the general manager in advising the general manager as to the legality of specific operating decisions. The attorney will advise the board of directors and general manager of any area of legal concern to the corporation.

10.2.3.1.3 The attorney will be available, upon request, at meetings of the board of directors and at the annual membership meeting.

10.2.3.1.4 The attorney will be responsible for providing legal services of a general nature and for representing the cooperative before courts and commissions when such representation is required. The attorney will submit an itemized monthly bill for legal services rendered to the general manager for approval by the board of directors.

10.2.3.1.5 Opinions relative to legal services furnished in connection with specific operating problems will be submitted to the general manager.

10.2.3.2 Consulting Engineer

The consulting engineer will have a direct reporting relationship to the board of directors when the area of employment – such as study, analysis and review – has been specifically determined by the board. When used as an advisor to the general manager, the consulting engineer shall report to the general manager.

10.2.3.3 Certified Public Accountant

The certified public accountant or firm of accounts will have a direct reporting relationship to the board of directors when employed by the board to perform audits of records and accounts. The general manager shall

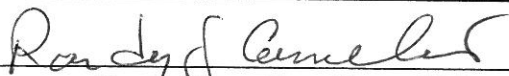
be kept informed and provide all possible assistance and advice in making records and accounts available. The board and/or general manager shall be responsible for requesting professional comments beyond minimum audit requirements.

10.2.3.4 Management Consultant

The management consultant will work with the general manager and have a direct reporting relationship to him during the time devoted to study and analysis. All recommendations resulting from any study or analysis shall be reported to the board of directors.

10.3 RESPONSIBILITY

- 10.3.1 The board of directors shall evaluate, interview and select consultants as defined in this policy; such selection will be subject to the review made by the RUS when applicable.
- 10.3.2 The general manager shall provide for inclusion of consultant's appearance and reports on the agenda for board meetings. The general manager shall have a further responsibility to furnish advice and counsel to the board of directors on the employment, selection and use of consultants.



Randy Cornelius, General Manager

Effective Date: May 15, 2003