

**ORCAS POWER & LIGHT COOPERATIVE**  
**POLICY 1**  
**FUNCTIONS OF THE BOARD OF DIRECTORS**

***Preamble***

This policy is the responsibility of the Board and it may only be changed or amended by the Board. Board Governance policies are intended to define the Governance activities of the Board of Directors and their functioning within the Organization.

Board-authorized documents such as Mission and Values Statements and Strategic Directives will provide further guidance and instructions to the Organization.

**1.1. BOARD ETHICAL STANDARDS**

The Board may neither cause nor allow any Organizational practice or event that is imprudent or unethical, or that could damage the short-term or long-term viability of OPALCO.

**1.2. CONFIDENTIALITY**

Directors are entitled to reasonable access to Organizational data and information.

Directors are required to keep confidential all matters involving the cooperative that have not been disclosed to the public. Information received by a director shall not be disclosed to any other persons unless the director reasonably believes that he or she must do so to fulfill his fiduciary duty.

**1.3. DIRECTOR CONDUCT**

Regardless of any personal differences, directors are required to:

- 1.3.1. Foster an environment where expression of individual experience, expertise and point of view shall be encouraged where relevant to the discussion at hand.
- 1.3.2. Demonstrate mutual respect and allow opportunity for every other director to be heard on any matter being considered by the Board.
- 1.3.3. Publicly support decisions of the Board except in extraordinary circumstances where the director can demonstrate that a decision or action will bring harm to the cooperative or threaten the cooperative's survival.
- 1.3.4. Refrain from revealing to persons other than directors, the General Manager, or the cooperative's attorney any differences of opinion among directors on matters considered and acted upon by the Board. (This standard does not preclude fair and accurate publication of such differences to the cooperative's members in relation to contests for director elections or other matters to be voted upon by the members. Nor does it impinge upon a director's right to dissent and to have his dissenting vote recorded in the minutes.)
- 1.3.5. Recognize that personal notes taken during meetings are legally discoverable unless intended to be and identified as Attorney/Client Privileged communications.
- 1.3.6. Directors shall not create a hostile environment in which to perform their duties. Directors are committed to helping management provide a workplace free from

discrimination in all forms, and providing an atmosphere at board meetings that are free of harassment in any way.

**1.4. CONFLICT OF INTEREST DISCLOSURE**

Board members are required to disclose any potential conflict of interest with regard to ongoing or specific transactions on any matters before the Board and shall attest that they have no material undisclosed conflict of interest situations in writing annually, consistent with the Bylaws and all policies related to conflicts of interest. The Board has established conflict of interest policies in Policy 23.

**1.5. BOARD MEMBER QUALIFICATIONS**

Board Member Qualifications are defined in Bylaws Article III: Directors, Section 2: Qualifications. Additionally, and consistent with the Bylaws, OPALCO strives to cultivate a diverse and well-rounded board of directors and with members who bring expertise in any of the following industries: engineering, utilities, legal, insurance, technology and communications, environmental, financial, outreach and education, community development, natural resources, human resources and construction, among others.

**1.6. BOARD MEMBER DUTIES AND RESPONSIBILITIES**

Board service requires a significant commitment of time during and outside of monthly board meetings.

- 1.6.1. Board members shall be competent to sign legal contracts and shall exercise their best business judgment in performing their duties as Directors.
- 1.6.2. Board members are required to attend Board meetings as specified in other governing documents and to travel and perform other reasonably required duties in a safe and competent manner.
- 1.6.3. Board members are expected to dedicate time outside of board meetings to review board materials on a monthly basis.
- 1.6.4. Board members are required to complete an initial orientation conducted by the Board President and General Manager within 45 days and are encouraged to achieve NRECA Credentialed Cooperative Director status or equivalent within 24 months of first election to the Board.
- 1.6.5. Board members are required to complete one or more relevant educational sessions during each additional three years of tenure.
- 1.6.6. Board members are encouraged to attend conferences and other activities designed to improve their skills and knowledge. The expenses of enrollment and attendance at Board training programs are paid by the cooperative. Board training programs shall be conducted within the confines of an annual budget established by the Board of Directors for this purpose.

## **1.7. BOARD POLICIES AND STRATEGIC DIRECTIVES**

- 1.7.1. The Board shall whenever possible formally and explicitly express the Board's expectations and standards regarding General Manager, Board, and Organizational performance.
- 1.7.2. Board Policies shall address matters that are expected to be permanent and pervasive in nature and define the limitations imposed on the General Manager and the Cooperative.
- 1.7.3. Board Strategic Directives shall address matters that may be impermanent in nature, address specific circumstances, may terminate when complete or rendered obsolete by changing circumstance and provide guidance in addressing the goals and objectives of the Cooperative.
- 1.7.4. Any Board member may propose a new policy or amendment to a current policy.
- 1.7.5. All Board Policies and Strategic Directives shall be maintained up to date in a format that is available to every Board member,
- 1.7.6. The Board shall review its own Policies and Strategic Directives for relevance, appropriateness and benefit to OPALCO at least annually.

## **1.8. STRATEGIC PLANNING**

The Board shall set the Cooperative's mission and purposes, engage in strategic planning on a regular basis and produce Strategic Directives, to be reviewed and updated at least annually.

## **1.9. OVERSIGHT**

The Board shall provide oversight including the adoption of policies and monitoring for compliance with legal and regulatory requirements as well as the adequacy of internal controls, primarily through appropriate use of Auditors and Legal Counsel. The Board shall also oversee any subsidiaries of the Cooperative. Such oversight shall include regular updates from the General Manager, financial performance review, business plan and strategy review, review and approve debt increases, and consistency with overall Strategic Directives.

## **1.10. BOARD INTERACTION WITH AUDITORS**

The Board shall approve an engagement agreement for annual audit services to be provided to the cooperative that:

- 1.10.1. Requires pre-approval by the Board for all services to be provided by the audit firm.
- 1.10.2. Sets out the scope of the audit, its objective and purposes, and deadlines for work to be performed.
- 1.10.3. Specifies all fees to be paid for all audit, audit-related and tax work provided by the audit firm.
- 1.10.4. If a multi-year agreement, provides for regular rotation of the lead audit partner.

- 1.10.5. Complies with all RUS Policies and/or other applicable regulatory standards on Audits.

## **1.11. BOARD INTERACTION WITH LEGAL COUNSEL**

The Board shall:

- 1.11.1. Make all decisions regarding retaining, employing, and discharging attorneys for the cooperative.
- 1.11.2. Reaffirm that the attorney represents the cooperative and does not represent individual directors, officers, employees, or members or affiliated entities of the cooperative, unless the Board consents to such representation and the attorney has complied with applicable conflict of interest requirements.
- 1.11.3. Require the attorney to keep the Board and the General Manager informed of matters for which the attorney is providing legal services.
- 1.11.4. Require the attorney to report evidence of any actual or intended material violation of law or material breach of duty that would likely cause substantial harm.
- 1.11.5. Oversee the election process on behalf of the Board of Directors consistent with the Bylaws, Policies and adopted Guidelines, and assist management, and the Election Governance Committee as necessary to ensure a full and fair election for board positions and any proposals offered by the membership or otherwise.

## **1.12. BOARD NOMINATIONS AND THE ELECTIONS & GOVERNANCE COMMITTEE**

Nominating the best qualified Directors is essential to OPALCO and its members. To oversee the recruitment of strong Director candidates, the Bylaws have established an independent Elections & Governance Committee (EGC). The EGC serves to independently identify, interview and recommend to the Cooperative's membership high quality candidates to run for election to the Board of Directors. The Bylaws require that the EGC is made up of a representative group of members, preferably three from each of three districts as defined by the San Juan County Council. To foster independence, no current Director or Officer of the Cooperative may serve on the EGC, nor may any current employee of the Cooperative or its subsidiary serve on the EGC. The Board of Directors shall use its best efforts to ensure that the EGC has a full membership each year. This policy does not supersede any requirement in OPALCO Bylaws or Articles of Incorporation, or other applicable state or federal requirements.

### **Elections & Governance Committee Purpose**

To facilitate the ability of the membership to elect board members who are most qualified and appropriate to serve in the best interests of OPALCO as a member-owned non-profit cooperative. The EGC will:

- 1.11.1. Actively cultivate qualified candidates on an ongoing basis to fill upcoming board positions.
- 1.11.2. Review candidate qualifications based on the ideal collective criteria for the Board as a whole and consistent with the bylaws.

- 1.11.3. From time to time, at Board's request, make recommendations to update elections, Board compensation and governance policy.
- 1.11.4. Work with the General Counsel to determine whether Candidate Applicants satisfy the qualifications to be eligible for election as a director, as established by the Bylaws.
- 1.11.5. Recommend a slate of Qualified Candidate Applicants
- 1.11.6. Announce the election results at the Annual Meeting

### **1.13. GENERAL MANAGER**

The Board selects the General Manager, and regularly evaluates performance, and sets his compensation.

#### **1.13.1. Board Interaction with General Manager**

- 1.13.1.1. The Board will direct the General Manager to achieve specific results within the restraint of specific limitations. He is authorized to make all further decisions, take all actions, and establish all practices to achieve these specified results that do not transgress the limitations imposed.
- 1.13.1.2. The Board may change its policies and thus the expectations or limitations imposed on the General Manager. So long as any particular delegation is in place, the Board members will respect and support the General Manager's choices.
- 1.13.1.3. All Board authority, that is delegable, is delegated through the General Manager. The General Manager is to be considered the only employee of the Board.
- 1.13.1.4. Only decisions of the Board acting as a body are binding upon the General Manager.
- 1.13.1.5. Decisions or instructions of individual Board members, officers, or committees are not binding on the General Manager except in circumstances where the Board has specifically authorized such exercise of authority.
- 1.13.1.6. In the case of Board members requesting information or assistance without Board authorization, the General Manager can refuse such requests that require in his judgment a material amount of staff time or funds or are disruptive.

#### **1.13.2. General Manager Relationship Review**

The Board shall ensure that the General Manager knows and understands the expectations and limitations it has placed on discretionary decision making. These expectations and limitations shall be identified in approved policies or directives. Such policies and directives shall be used as the foundation for the annual appraisal of the General Manager's performance.

### **1.14. BOARD SELF-EVALUATION**

The Board shall complete an annual self-evaluation of its performance and accomplishments in relation to the goals and mission of OPALCO, to confirm its compliance with all relevant policies and procedures, and to review its working methods and contribution to OPALCO.



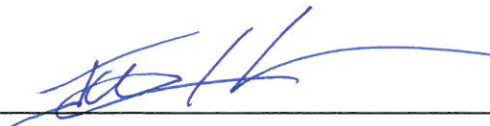
### **1.15. BOARD SUBCOMMITTEES**

Due to the size and nature of the Board as stated in the bylaws, subcommittees are to be minimally used.

- 1.15.1. Board subcommittees will be formed, defined, controlled, and dissolved by action of the Board;
- 1.15.2. Authority of any subcommittee will be limited to reporting findings to the Board, unless specifically authorized by the Board. No action may be taken by a subcommittee unless authorized specifically or in general by the Board;
- 1.15.3. Board member participation in any subcommittee will be determined and controlled by the Board. There will be no more than three Board members on any subcommittee;
- 1.15.4. Employee involvement with a subcommittee will only be with the agreement of the General Manager;
- 1.15.5. The General Manager shall be kept informed of the work of the subcommittee;
- 1.15.6. Communications with employees will be copied to the General Manager.
- 1.15.7. Purpose may include a review of methods, plans, or results, propose solutions, strategic directives;
- 1.15.8. Duration of the subcommittee shall be at the pleasure of the Board.

### **1.16. REMOVAL OF DIRECTORS AND OFFICERS**

- 1.16.1. The Bylaws provide for a process whereby a Board member may be removed in Article III, Section 6(b). The Board may adopt procedures that provide for a fair hearing and review of any allegations brought against a director, as long as such procedures are consistent with the Bylaws.
- 1.16.2. The Board of Directors may adopt a process that will allow a full and fair discussion of any motion made to remove a sitting director based upon disorderly conduct, harassment of any kind toward other directors, Cooperative staff or members, or actions that will inhibit the orderly conduct of Cooperative business. This process may include adoption of relevant rules from Robert's Rules of Order that the Board may deem applicable, or any other similar process rules that serve to implement the Bylaws as well as provide a fair hearing on the motion to remove.

  
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Foster Hildreth, General Manager

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