

**PUBLIC UTILITY DISTRICT NO. 1
OF
COWLITZ COUNTY, WASHINGTON**

BOARD OF COMMISSIONERS GOVERNANCE POLICY

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PREAMBLE

In 1930, Initiative #1 of the People of the State of Washington made lawful the creation of Public Utility Districts (PUDs) in regions of the State where local voters authorized such creations. Cowlitz County Public Utility District was one of the early fruits of Initiative #1. Cowlitz PUD began distribution of retail electricity to customers within the County Boundary in 1937. The objective, then and now is to safely and reliably distribute electricity to all regions of the County, charging only for the cost to efficiently deliver the electricity to the customer.

Cowlitz PUD was organized as a Municipal Corporation and is governed by a variety of State laws, most importantly Title 54 of the Revised Code of Washington where much of the foundational governmental framework is imposed by the State. The State, recognizing that PUDs across Washington had varied and complex local issues, yielded to local elected officials the authority to define their own way of managing the utility within the basic State framework set forth in Title 54.

Local Governance Policy is born out of the needs of the Community as interpreted by their local elected officials. Governance Policy design and language is the exclusive right and responsibility of the elected Board of Commissioners acting as a body of three where majority rules.

I. ORGANIZATIONAL STATEMENT

Section 1. Public Utility District No. 1 of Cowlitz County, Washington, the District, is engaged in the generation, transmission and distribution of electric energy throughout Cowlitz County and in small adjacent portions of Clark, Lewis, Skamania and Wahkiakum Counties.

Section 2. The Main Office of the District is located at 961 12th Avenue, Longview, Washington. An Operations Center, including a warehouse is located at 875 Industrial Way, Longview.

Section 3. The District is a municipal corporation organized under the laws of the State of Washington. The governing Board of the District consists of three elected Commissioners, each serving for a six-year period. One Commissioner position shall be on the ballot every two years. The Commissioners establish policy and appoint a General Manager, who is charged with the responsibility of managing the District consistent with RCW 54.16.100.

II. PURPOSE OF BOARD OF COMMISSIONERS

Section 1. The Board of Commissioners is the legislative body of the District. The Board operates under the provisions of chapter 54 of the Revised Code of Washington and all other statutes and regulations applicable to public utilities.

Section 2. The purpose of the Board of Commissioners is to identify and define the mission, values, vision, and objectives of the District, and establish policy directing their implementation and administration, and to make policy decisions that are compliant with applicable law. Specific duties and responsibilities are described in Article IV, Board Job Description.

III. GOVERNANCE FOCUS

Section 1. The Board's governance will focus on external goals rather than internal details, encouragement of diverse viewpoints rather than single-mindedness, strategic leadership rather than administrative detail, acknowledging and respecting the clear distinctions between the roles and responsibilities of the Board and General Manager, maintaining a collaborative and, where necessary, majority rather than individual decision-making process, and working proactively rather than reactively to the extent possible.

Section 2. Specifically:

- a) The Board will strive to achieve excellence in governing and will rely on the expertise of individual Board members and staff to enhance the effectiveness of the Board.
- b) The Board will direct and influence the District through the establishment of written policies reflecting the Board's mission, values, vision, and objectives. The Board's policy focus will be on the District's intended long-term impacts outside the organization, rather than the administrative means of achieving those impacts.
- c) The Board will establish and adhere to the standards needed to govern with excellence. These standards will include matters such as attendance at, and preparation for Board meetings, policy-making principles, ongoing professional development, adherence to applicable law and policy, and the professional conduct of Board meetings.

IV. BOARD JOB DESCRIPTION

Section 1. The general obligation of the Board, and its members as elected representatives of Cowlitz County, is to ensure appropriate organizational goals and achievements pursuant to the laws governing Public Utility Districts in the State of Washington.

Section 2. Specifically, the Board shall:

- a) Assure that its members are prepared for and regularly attend Board meetings.
- b) Produce and maintain written policies that ensure a high quality of governance and clear roles in decision-making between the Board and General Manager.
- c) Recognize their individual and collective fiduciary duties to protect and enhance the District through the exercise of due diligence and sound business judgment.
- d) Hire, monitor and evaluate the performance of, and, if necessary, terminate the General Manager.
- e) Develop and use outreach mechanisms to ensure the Board hears the viewpoints of customers, the community, and other interested stakeholders.
- f) Adopt the District's strategic plan and review it annually.
- g) Adopt the District budget on an annual basis, and review the financial status of the District monthly, and as otherwise needed.
- h) Review the annual State audit of the District's finances and procedures.

- i) Set the rates, rules and regulations for services provided by the District.
- j) Review the Board's governance policy annually, and revise as necessary.
- k) Discuss and evaluate its own performance on an annual basis with specific reference to its activities and policies. This evaluation shall include soliciting thoughts and suggestions from the District's General Manager and Directors.
- l) Enforce upon itself and its members whatever measures may be reasonably needed to govern with excellence, as set forth in Article XVI of this policy.
- m) Take such other actions as deemed necessary and as required by law.

V. BOARD ORIENTATION & TRAINING

Section 1. The Board shall ensure that its skills are sufficient to provide for excellence in the governance of the District.

Section 2. To achieve its commitment to excellence in governance, the Board will:

- a) Provide new Board members appropriate training and orientation in Board governance, policies, procedures, electric utility operations, the Washington Open Public Meetings Act, the District's strategic plan, the Washington Ethics in Public Service Act, and the Washington Public Records Act, including such training as may be imposed by law.
- b) Allow newly elected incoming Board members to attend, at District expense, the Washington PUD Association annual meeting and other workshops, training sessions or meetings that may be available and beneficial to said incoming Board member in order to better prepare him or her for the assumption of PUD related duties. Said meetings must occur between the date of election and the assumption of office and must be authorized by the General Manager.
- c) Receive training in the skills of effective communication and decision making.
- d) The Board President shall receive training in the conduct of meetings pursuant to Washington State law, this policy, and Robert's Rules of Order.

VI. AUTHORITY OF INDIVIDUAL BOARD MEMBERS

Section 1. The authority of the Board and its individual members is expressly limited to their work at regular or special sessions of the Board. Board members may not attempt

to exercise individual authority over the District or its staff except as set forth and authorized in Board policies.

A Board member speaks only for himself/herself on matters relating to the Board unless specifically authorized by the Board to speak for or to represent the Board. Such authorization shall be a matter of record in the official Board minutes. In interactions with the public, the press or other entities, Board members must recognize this limitation and the inability of any Board member to speak for the Board or the District except to restate adopted Board policies or decisions. Board members may not act in a manner with respect to District business or policy that is contrary to the consensus or majority of the Board. Members of the Board may represent their own points of view. A vote of the Board majority shall be binding on all members of the Board insofar as official acts are concerned.

Section 2. Board members may have access to District offices during normal office hours in the furtherance of Board business, Monday through Friday, 8:00 a.m. to 5:00 p.m., in accordance with Board policies including Article VIII of this policy.

VII. BOARD MEMBER COMMUNICATION AND CORRESPONDENCE

Section 1. Public Board meetings, as required by law, provide the opportunity for District management and staff to inform the Board and the public of important issues and matters for consideration prior to Board decisions, and for the public to keep informed and provide input regarding their utility.

Section 2. Board Member Communication Outside of Board Meetings.

- a) The Board acknowledges the right of each Board member to formulate and publicly express individual opinions regarding issues germane to their duties as District Commissioners. The Board further recognizes that Board members may articulate individual opinions on other matters of civic affairs or public interest not directly related to their duties as Board members.
- b) When a Board member engages in communication of any type, he or she must recognize at all times that, in the eyes of the public, Board members are likely to be perceived as speaking as a District Commissioner, and as such their communication will reflect on and impact the other Board members and District staff.
- c) When communicating on matters on which the Board has taken a formal position, it is acknowledged that any written correspondence be done under the signature of the Board President or entire Board, or by the General Manager on behalf of the Board. Such written correspondence should be on District letterhead.

- d) In the event the majority of the Board has not taken a position on an issue, or has taken a position different from an individual's position, the Board member holding a minority position, or any opinion on a matter not yet before the Board for a decision, should, in any communication or correspondence on that matter clearly state that his or her opinion is their own, and is not the position of the Board or District as a whole. District letterhead shall not be used for such written communication.
- e) In the event an individual Board member fails to make the above-referenced disclosure, the Board may itself or through the General Manager, issue a communication stating the District's position on the matter which may include information explanatory and supportive of the District's officially adopted position. If no position has yet been taken by the Board on the topic, the communication should disclose that fact.
- f) In order to maintain open communications and prevent misunderstandings, and as a courtesy to the other Board members and District management and staff, Board members should disclose on the record at their meetings any communications they may have had with others on matters relating to the District.
- g) Public Board meetings, as required by law, are intended to provide information from the staff and public to the Board members prior to decisions being made. Thus, Board members should refrain from taking or communicating positions on issues on which a public hearing is expected to be held prior to the holding of such hearings.
- h) Board members shall not publicly state or imply that the General Manager, General Counsel or Auditor is out of compliance with any policies or decisions of the Board or District absent a determination of non-compliance by the Board.

VIII. BOARD MEMBERS' REVIEW AND USE OF DISTRICT RECORDS

Section 1. The District has a duty to comply with the Washington Public Records Act. As members of the public, Board members may request information from the District through the processes set forth in the Public Records Act.

Section 2. Because of the status conferred upon Board members as elected representatives, members of the Board may have access to records that are confidential or privileged. Each Board member agrees to the following procedures to apply to any request to inspect records of the District that is made in his or her capacity as a Board member:

- a) Board member requests to inspect District documents that do not meet the criteria of a "public record" under RCW 42.56 or which may be privileged or confidential

in nature, shall be made to the General Manager in the form of a "Board Member Request for Confidential Records." To the extent allowed by law and by this Policy, the General Manager shall provide the records for review on District premises.

- b) No privileged, confidential or original document shall be copied, electronically transmitted or taken from District premises except with the written authorization of the General Manager, or Board majority.
- c) Board members shall follow the same confidentiality requirements applicable to District employees when dealing with District records or other documents. Board members shall not disclose confidential employment information regarding any District employees or staff.
- d) District employee personnel files, with the exception of the employee file of the General Manager, will not be subject to review by Board members pursuant to the District's policies relating to the confidentiality of employee records. A Board member's request to view the General Manager's employee file shall be submitted through the General Counsel or Auditor.
- e) Board members or their designees shall not be allowed to review or be granted access to documents or information regarding a subject on which the Board member has a conflict of interest, as established in Article XIV of this Policy.

IX. BOARD OFFICERS

Section 1. The officers of the Board shall consist of a President, Vice President and Secretary.

Section 2. The Board officers shall be elected and serve as follows:

- a) The election of each officer shall be at the first regularly scheduled Board meeting in January of odd numbered years, and each officer shall serve for two years. The election of each officer shall be determined by a majority of the Board.
- b) Board Officers serve at the pleasure of the Board. Officers may be removed from their position by the vote of two Board members. Any Board member may decline serving as an officer. In the event of such removal or declination of service, the vacated officer position shall be elected by the Board at the next regularly scheduled meeting.

Section 3. Role of the President:

The President of the Board shall assure the integrity of the Board's processes and its representation to outside interests in the following manner:

- a) The President shall preside over and facilitate Board meetings in accordance with Washington State Law, this Policy and Roberts Rules of Order.
- b) The President shall ensure that the Board complies consistently with its own rules and policies, and those legitimately imposed on it from outside the organization.
- c) The President shall ensure that deliberation is fair, open and thorough, but also orderly and in conformance with the meeting's agenda.
- d) The President shall schedule and coordinate the annual process of evaluating the General Manager.
- e) The President shall have no individual authority to supervise or administratively direct the General Manager, and authority to direct the General Manager on the Board's behalf must be expressly granted to the President by the Board.
- f) The President shall assume any responsibility of the Board that is not specifically assigned to another Board member.

Section 4. Role of the Vice President:

The Vice President of the Board shall:

- a) Perform such duties as are assigned by the President.
- b) Have all power and duties of the President in the absence or inability of the President to act.
- c) Have all powers and duties of the Secretary in the absence or inability of the Secretary to act, when not otherwise acting as President.

Section 5. Role of the Secretary:

The Secretary shall:

- a) Perform all duties incident to the office of Secretary as may be required by law or assigned to such office by motion, rule or resolution of the Board.
- b) When appropriate, attest instruments and documents duly authorized by the Board.
- c) Have all the powers and duties of the President in the absence or inability of both the President and Vice President to act.

X. BOARD MEETINGS AND AGENDAS

Section 1. The Board's regularly scheduled meetings are held in the Main Office of the District on the 2nd and 4th Tuesday of each month commencing at 2:00 p.m. In addition to its regular meetings, the Board may convene special meetings, such as Rate Hearings, Budget Hearings, workshops, or evening meetings. All Board meetings shall be noticed according to statute.

Section 2. The General Manager, in consultation with his or her staff and Board shall prepare an agenda, with relevant documentation, for each regular meeting of the Board.

Section 3. Individual Board members or the General Manager may place matters on Board agendas. Prior to placing an item on the agenda, a Board member shall confer with the General Manager. When Board members invite people to speak at a Board meeting, the Board member will confer with the General Manager so that there will be appropriate coordination with preparing the agenda.

Section 4. All Board members, employees and members of the public shall preserve order, respect, decency and decorum at all times when the Board is in session. No Board member shall, by conversation or otherwise, delay or interrupt the proceedings or the peace of the Board, nor disturb any Board member who is speaking. Board members shall obey parliamentary orders of the President and shall confine their remarks to the subject under consideration. Board members shall conduct meetings with the highest decorum and consistent with the purposes and principles set forth in this Policy.

Section 5. All votes of the Board at meetings shall be by voice, except at the request of a Board member, the Presiding Officer shall take a roll call vote. The passage of any motion or resolution shall be by a Board majority. Board members shall vote on all matters before the Board, unless a conflict of interest exists, or a quorum is not present. If there is a conflict of interest, the conflicted Board member shall abstain from discussion and recuse from voting on that matter.

Section 6. A special meeting may be called at any time by the Board President or by a majority of the members of the Board, provided written notification is given to each Board member and the General Manager. Email shall be sufficient to comply with notification under this section.

Section 7. Individual Board members shall give at least 30-days written notice to request a leave of absence from any previously scheduled Regular or Special Board meeting. The notice should be delivered to the Clerk of the Board. Absences for reasonably unanticipated personal reasons will be excused. A motion whether to approve the absence will be voted on by the Board at the earliest opportunity prior to the requested leave day.

XI. EXECUTIVE SESSION MATERIALS AND INFORMATION

The Board may convene an executive session as permitted by law. It is a violation of Washington State law and this Policy to disclose publicly what is discussed and reviewed in executive session. All comments made and all written materials reviewed during an executive session, are confidential by law and shall not be publicly disclosed or removed from the premises of executive session by any Board member or attendee of the executive session absent a vote of the Board majority on the record in a public meeting. This restriction applies to all executive session discussions and materials regardless of whether the District's counsel is present.

XII. ATTORNEY-CLIENT PRIVILEGE AND WORK PRODUCT

The District, and not any individual Board member, is the holder of any attorney-client privilege with the District's counsel and any attorney work product protection. No individual Board member shall make any disclosure or release any information which would result in the waiver of the attorney-client privilege or work product protection absent a vote of the Board majority on the record in a public meeting.

XIII. BOARD MEMBER CODE OF CONDUCT

Section 1. Board members individually commit themselves in their elected capacity to ethical, businesslike, and lawful conduct, including appropriate use of their authority and decorum at all times when acting as Board members. Board members must avoid even the appearance of impropriety to ensure and maintain public confidence in the District and the Board as a whole. Board members owe a fiduciary duty to the District and to the Board and must not act in a manner that is contrary to that duty or to the interests of the District. Board members must place the interests of the District over their own personal interests with respect to the governance, policy, strategic direction and operations of the District.

Section 2. Specifically:

- a) Board members shall conduct themselves in accordance with all laws, including but not limited to, the Open Public Meetings Act, RCW 42.30 and the Code of Ethics for Municipal Officers, RCW 42.23, and in accordance with the provisions of this Policy.
- b) Board members shall at all times conduct themselves with civility and respect to one another, to District management and staff, and to members of the public.
- c) Board members shall demonstrate loyalty to the interests of District ratepayers. This supersedes any conflicting loyalty such as that to advocacy or interest groups, personal or business interests, and membership on other Boards, or

employment situations that may have interests adverse to the District and its ratepayers. It also supersedes the personal interest of any Board member as a consumer of the District's products and services.

- d) Board members must disclose on the record any decision-making involvement or investment in a business or type of business that contracts with the District, or any business that falls within the contemplation of Article XIV, Conflict of Interest Code and this Article XIII, Code of Ethics.
- e) Board members must not attempt to exercise individual authority over the District or its staff except as explicitly set forth in Board policies. Board members must recognize the lack of authority vested in them as individuals in their interactions with the General Manager or with staff, except where explicitly Board authorized. In their interactions with the general public, media or other entities, Board members must recognize the same limitation and the inability of any Board member to speak for the Board except to express and comment on actual Board decisions.
- f) Board members understand that all letters, memoranda and electronic communications or information (including email) that relate to conduct of the District or the performance of any District function are public records that may be subject to disclosure under the Washington Public Records Act unless otherwise exempt by law. In the event the District receives a request for such records, the Board member shall provide the records to the Public Records Officer of the District.
- g) In accordance with the Open Public Meetings Act, Board members:
 - a. Shall not meet outside of public Board meetings to hold discussion or to take action as defined in RCW 42.30 regarding the District.
 - b. Shall not meet as a quorum with staff outside of public Board meetings for the purpose of gathering information, including by the conduct of a "serial meeting" by which a quorum of Board members takes action through serial oral or written communication with one another.
 - c. Shall recognize that the requirements of the Open Public Meetings Act may apply to communications via telephone, email, instant messaging or other forms of electronic communication.
 - d. May send information to other members of the Board on an informational basis, but exchanges of communications between staff and more than one Board member regarding District business must not occur outside of an official public meeting of the Board. Any communication sent for informational purposes as described above, shall be sent by an individual

Board member. The Board members may not “reply all” to any e-mail or other electronic communication received by all members of the Board.

- h) Board members shall respect the confidentiality requirements regarding personnel, real estate transactions, proprietary matters, and attorney-client privileged communications, including those requirements listed under RCW 42.30.110, *Executive Sessions* and any other confidential information that is gained through the Board member’s position.
- i) Board members shall not engage in nor encourage actions by others in any retaliatory conduct against any District employee, including the General Manager, General Counsel and Auditor, or any other Board member. This includes any action against District employees taken as a result of that employee reporting incidents of misconduct or violations of District policies by any Board member or other District employee.
- j) Board members shall comply with any requirement to keep employee performance confidential, and shall refrain from public discussion of individual employee performance.

XIV. CONFLICT OF INTEREST

Section 1. It is the intent of the Board to meet and exceed those protections against conflicts of interest contained in State law. Under this policy, a Conflict of Interest arises when a Board member has a personal interest in a matter that is or may be in conflict with or contrary to the District’s interests and objectives to such an extent that the Board member is or may not be able to exercise independent and objective judgment within the context of the best interests of the District. For the purposes of this Article, a Board member’s “personal interest” includes those of his or her relatives, business associates or other persons or organizations with whom he or she is closely associated.

Section 2. The following provisions shall serve as a guide to Board members in their governance of the affairs of the District:

- a) Commissioners shall not receive, accept, take or solicit, directly or indirectly, anything of economic value as a gift, gratuity, or favor from a person or entity if it could be reasonably expected that the gift, gratuity, or favor would influence the vote, action, or judgment of the Commissioner, or be considered as part of a reward for action or inaction. Board members are required to submit a report to the Board and the District’s Auditor of the actual or estimated value of any gifts or casual entertainment received as a Board member that exceeds \$50.00.
- b) The complete confidentiality of proprietary business information must be respected at all times. Board members are prohibited from knowingly disclosing such information, or in any way using such information for personal gain or

advancement, or to the detriment of the District, or to individually conduct negotiations or make contacts or inquiries on behalf of the District unless officially designated by the Board to do so.

- c) Board members are prohibited from acquiring or having a financial interest in any property that the District acquires, or a direct or indirect financial interest in a supplier, contractor, consultant, or other entity with which the PUD does business. This does not prohibit the ownership of securities in any publicly owned company except where such ownership places the Board member in a position to materially influence or affect the business relationship between the District and such publicly owned company. Any other interest in or relationship with an outside organization or individual having business dealings with the District is prohibited if this interest or relationship might tend to impair the ability of the Board member(s) to be independent and objective in his or her service to the District.
- d) If members of the immediate family of a Board member have a financial interest as specified above in this Article XIV.2, such interest shall be fully disclosed to the Board which shall decide if such interest should prevent the District from entering into a particular transaction, purchase, or engagement of services. The term "immediate family" means Board member's spouse, parent, dependent children, and other dependent relatives, if living in the household.
- e) When a conflict of interest exists, the Board member shall declare the nature of the conflict and recuse him or herself on any official action involving the conflict and shall not be present during Board discussion or voting on that matter.
- f) Board members may not realize, seek, or acquire a personal interest in a Public Contract contrary to RCW 42.23.

XV. UNITY OF CONTROL

Section 1. Only decisions and instructions of the Board members acting as a Board are binding on the District's General Manager, General Counsel, and Auditor except in instances when the Board has specifically delegated the exercise of such authority to individual Board members.

Section 2. In the case of Board members requesting information or assistance of District personnel without Board authorization, the General Manager, General Counsel or Auditor must refuse such requests that require, in their opinion, a material amount of staff time or funds or are otherwise unduly burdensome, that may involve a conflict of interest between the District and the Board member requesting the information or assistance, or that are contrary to Board policy or the direction provided by the majority of the Board.

Section 3. Board members may communicate directly with District employees or contractors. However, individual Board members shall not give direction to persons who

report directly or indirectly to the General Manager, with the exception of the General Counsel and Auditor as provided under this Policy. Individual Board members shall disclose such communications to the General Manager within a reasonable time of the communication. If individual Board members are dissatisfied with the response they receive, the matter will be resolved by the Board.

Section 4. The Board and individual Board members shall refrain from evaluating, either formally or informally, the job performance of any staff other than the District's General Manager, General Counsel, or Auditor, should the Board choose to participate in those evaluations.

XVI. VIOLATIONS OF GOVERNANCE POLICY

Section 1. This Policy is adopted with the intent that it is fully enforceable and that violations of the provisions of the Policy will result in action against Board members as provided in this Article and as set forth in the law of the State of Washington, including RCW Ch. 42.23.

Section 2. Any claim of a violation of this Policy shall be made in writing by a Board member or District employee and filed with the President, or Vice President if the President is the subject of the complaint. Any claim of violation must identify the conduct that is alleged to have constituted a violation and sufficient information to support the claim of violation. Any such claim shall be made part of the minutes of the Board meeting at which the complaint is discussed.

Section 3. If it is determined by a majority of the Board that the complaint is meritorious and the alleged conduct of the Board member constitutes a violation of this Policy, the Board member may be subject to one or more of the following actions by a majority vote of the Board:

- a) Admonition. An admonition shall be a verbal statement approved by a majority of the Board made in open session and recorded in the minutes.
- b) Reprimand. A reprimand shall be administered to the Board member by letter. The letter shall be prepared by the Board and signed by a majority of the Board after action in open session to approve the letter. The letter shall be part of the minutes of the meeting at which it was approved.
- c) Censure. A censure shall be a written statement administered to the Board member in public during a regular Board meeting. The statement shall be prepared by the Board and signed by a majority of the Board. The Board member may appear and may make any statement in opposition to or mitigation of the censure. A censure shall be deemed administered at the time it is scheduled whether or not the Board member appears. The statement shall be included in the minutes of the meeting at which it is administered.

Section 4. In the event a Board member does not cease conduct that has been deemed in violation of this Policy or of Washington law, the District may pursue legal action to remedy the violations. In the event a Board member intentionally violates provisions of this Policy which cause harm or damages to the District, the Board may by affirmative vote, seek to recover those damages on behalf of the District.

XVII. BOARD-GENERAL MANAGER RELATIONSHIP

Section 1. The Board, by resolution introduced at a regular meeting and adopted at a subsequent regular meeting, shall appoint and may remove at will a district manager, whose title shall be General Manager in accordance with RCW 54.16.100. The Board may, by affirmative vote in an open public meeting, terminate the General Manager without the introduction and second reading of a resolution. Provided however, such termination process is agreed upon in an employment contract.

The Board shall fix and modify any and all forms of the General Manager's compensation only by resolution in an open public meeting.

The General Manager shall be the chief administrative officer of the District, in control of all administrative functions and shall be responsible to the Board for the efficient administration of the affairs of the District placed in his or her charge.

The Board delegates to the General Manager the responsibility for the management and administrative conduct of the District's business in accordance with the law and Board policies and shall implement and administer the District's strategic plans and goals.

Section 2. If the General Manager's position is vacant, the Board shall recruit and select a General Manager through an open and competitive process designed to obtain an experienced and qualified professional manager, in accordance with RCW 54.16.100. During such recruitment process, the Board may appoint a competent person to act as Interim General Manager who shall perform all the functions of the General Manager until such time that a General Manager is hired.

Section 3. The General Manager and Board President shall designate a competent person as Acting General Manager in the event of a temporary disability or absence of the General Manager.

Section 4. It shall be the policy of the Board to enter into a personal services contract with its General Manager, stating the terms and conditions of employment.

Section 5. The scope of the General Manager's responsibilities shall include, but not necessarily be limited to the following:

- a) Carry out the orders of the Board, and see that the laws pertaining to matters within the functions of his or her control are enforced.
- b) Keep the Board fully advised as to the financial condition and needs of the District.
- c) Prepare an annual estimate for the ensuing fiscal year of the probable expenses of the District, and recommend to the Board what development work should be undertaken, and what maintenance, if any, should be made during the ensuing fiscal year, with an estimate of the costs of the development work and maintenance.
- d) Establish, develop, and staff an organizational structure to achieve District and Board objectives.
- e) Hire and discharge employees under his or her direction (except the General Counsel and Auditor, which is described in more detail in Articles XIII and XIX below); and perform such other duties as may be imposed upon the General Manager by resolution of the Board.
- f) Manage all operations of the District and its day-to-day administration.
- g) Ensure compliance with all applicable laws and regulations pertaining to District operations and covenants of District bonds and keep the Board apprised of such relevant conditions thereto.
- h) Select, transfer and promote District personnel. Recommend to the Board a scale of compensation and benefits to be paid for different classes of service within the District. The specific compensation to be paid to particular employees shall be within the discretion of and control of the General Manager pursuant to HR-3. The General Manager shall also administer Paid Time Off for District employees, provided the amount of Paid Time Off does not exceed the maximum authorized under the Employee Handbook.
- i) Prepare Board reports regarding District needs and objectives, including short and long-range plans to maintain the adequacy of its power supply, the sufficiency of its physical plant, and the efficiency of its operational methods.
- j) Direct the preparation of an annual budget for the District and administer the budget that is adopted by the Board without administrative interference. The General Manager shall also forecast fiscal requirements and submit other financial data required to keep the Board fully advised of District's financial condition and needs.
- k) Recommend to the Board rate and service policies that will provide revenues to the District sufficient to meet its costs of operation, expansion, and all other necessary expenditures.

- l) Prepare agendas with relevant documentation for each Board meeting, and attend Board meetings.
- m) Execute all legal documents in furtherance of Board policies, goals, and objectives.
- n) Monitor, control, and approve all operating and capital expenditures in accordance with Board policy.
- o) Develop and manage administrative policies as necessary and convenient for the efficient and effective conduct of District business.
- p) Implement and ensure compliance with District policies, administer the personnel system, attend meetings of the Board and report on the general affairs of the District, and keep the Board advised as to the needs and progress of the District with regard to long-range planning.
- q) Ensure appropriate management of the District during any planned absence of the General Manager, with contingency management planned in the event of an unplanned absence of the General Manager.
- r) Interact with the public and other utilities and government agencies, pursuant to policies adopted by the Board. The General Manager shall assure, in cooperation and consultation with the Board, that the District is appropriately represented in the community it serves.
- s) Perform other responsibilities as may be delegated by the Board either by resolution or through the General Manager's contract of employment.

Section 6. The General Manager's job performance shall be objectively evaluated with consideration of the General Manager's personal characteristics, Board interaction, management of utility operations, the District's external relationships and attainment of identified goals and objectives. Such evaluation shall utilize forms and procedures adopted by the Board with the following considerations:

- a) The General Manager's performance evaluation shall be performed on an annual basis.
- b) The evaluation shall be based on the District's performance relative to the strategic business plan, goals and objectives as established by the Board, and the General Manager's personal leadership, management, and implementation of those goals and objectives.
- c) The Board shall establish relevant criteria to determine the degree to which Board policies are being met.

- d) The General Manager shall propose performance criteria (goals) in December for the following year that represents his or her reasonable interpretation of achieving the goals defined by the Board.

Section 7. The General Manager shall make no contribution of money in aid of or in opposition to the election of any candidate for public utility commissioner, nor may he or she advocate or oppose any such election, or other actions prohibited by RCW 54.16.100.

XVIII. BOARD-GENERAL COUNSEL RELATIONSHIP

Section 1. The General Counsel provides legal counsel to the District and to the Board. The General Counsel reports to the General Manager but may only be hired or terminated upon majority vote of the Board, and consent of the General Manager.

Section 2. The General Manager is responsible for evaluating the General Counsel's performance. The General Manager shall solicit the Board's input in evaluating the performance of the General Counsel, and the Board may, at its discretion, participate in that evaluation process.

Section 3. With respect to the Board, the General Counsel shall:

- a) Give his or her advice or opinion whenever he or she deems necessary, and when requested by the Board on specific issues.
- b) Inform the Board of material legal issues impacting the District or the Board.
- c) When necessary, act independently of the General Manager, as directed by the Board.
- d) Provide counsel to the Board with regard to conflict-of-interest issues, ethics, and other applicable statutes and regulations as necessary.
- e) The General Counsel is counsel to the District and not to individual Board members. The General Counsel shall not provide legal counsel to individual Board members except in their role as Board members, nor shall individual Board members disclose privileged or protected communications with the District's General Counsel absent authorization of the Board.

XIX. BOARD-AUDITOR RELATIONSHIP

Section 1. The District's Auditor provides independent, objective assurance and consulting services to the Board and management designed to improve the organization's operations and maintain compliance with the State Auditor's office.

Section 2. The Auditor may only be hired or terminated upon majority vote of the Board, with consent of the General Manager.

Section 3. The Auditor reports to the General Manager for all administrative matters. The General Manager is responsible for directing and evaluating the Auditor. The Board may provide input into the audit planning process and may require that special projects and reviews be conducted. The Board may also, at its discretion, participate in the Auditor's performance evaluation.

Section 4. The Auditor shall conduct audit reviews and special projects requested by the General Manager or the Board. The work of the Auditor shall provide reasonable assurance regarding the achievement of objectives in the following areas:

- a) Adherence to plans, policies and procedures.
- b) Compliance with applicable laws and regulations.
- c) Effectiveness and application of administrative and financial controls.
- d) Effectiveness and efficiency of operations.
- e) Reliability of data.
- f) Safeguarding assets.
- g) Financial health of the District.

The Auditor in the performance of his or her duties shall have unlimited access to all activities, records, property and personnel of the District.

Section 5. The Board shall receive the results of all audits by the State and those audits or special project evaluations requested by the Board. In all cases, audit reports will be provided to the Board and management so that appropriate action is taken pursuant to the reports.

XX. BOARD COMPENSATION AND EXPENSES

Board members shall receive a monthly salary, and in addition, per diem compensation for appearances or participation in events primarily aimed at making District decisions, receiving information related to decision making, or speaking or directly participating in an activity representing the District in compliance with RCW 54.12.080. By submitting reimbursement for time spent a Board member certifies that the request for reimbursement is made in compliance with the RCW. Further compensation for expense reimbursement shall be in accordance with the District's Travel Reimbursement Policy (AD-2) pursuant to RCW 54.12.080(4); and, Board members shall be afforded PERS,

401K, 457 plan and healthcare benefits consistent with other employees, as authorized by law, and as administered by staff. Provided, however, that for the purposes of PERS, Board members shall be imputed the requisite hours worked per month sufficient to accumulate and earn one (1) service credit per month.

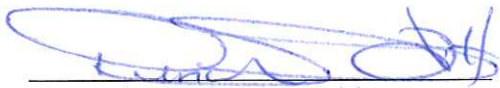
XXI. INDEMNIFICATION

Section 1. Whenever any action, claim, administrative filing or proceeding is instituted against any person who is or was an employee or official of the District arising under the performance or failure of performance of duties for, or employment with the District, that individual shall be afforded coverage under the District's Directors and Officers policy subject to any applicable deductible or retention. Majority vote of the Board will determine if the individual or the District will be responsible for payment of any applicable deductible or retention or any portion thereof. Should an insurer deny coverage, in whole or in part, the Board, upon majority vote, may pursuant to RCW 54.16.097 grant a request by such person that a qualified attorney of the District's choosing be appointed by the District to defend said claim, suit, or proceeding, with the costs of defense (including the employee or official's attorney's fees incurred in the course of defense), and any obligation for payment associated with the defense of such action, may be paid from the District's funds: PROVIDED, That costs of defense and/or judgment or settlement against such person shall not be paid in any case where the court has found that such person was not acting in good faith or within the scope of his or her employment with or duties for the District, or in violation of this Policy, pursuant to RCW 54.16.097.

Section 2. The District shall provide the expense of defending against criminal prosecution, which may be initiated as a result of the District providing power to those customers in accordance with District policy CS-2.

Section 3. The necessary expenses of defending a Board member in a judicial hearing to determine the sufficiency of a recall charge shall be paid by the District if the Board member requests such defense and approval is granted by both the Board and the General Counsel, pursuant to RCW 4.96.041(3). The expenses paid by the District may include costs associated with an appeal of the decision rendered by the superior court concerning the sufficiency of the recall charge. To the extent this Article conflicts with other provisions under this Policy, this Article shall control.

Adopted this 24th day of November, 2015 by the Board of Commissioners of Public Utility District No. 1 of Cowlitz County, Washington.



Dena Diamond-Ott, President



Edward M. Piper, Vice President



Kurt Anagnostou, Secretary

