

## Board of Directors Policy

Subject: <b>Functions of the Board of Directors</b>			Policy No: <b>102</b>
Original Issue: 10/28/92	Last Revised: 1/17/18	Last Reviewed: 1/17/18	Page 1 of 7

### I. OBJECTIVE

To describe the major functions of the Board of Directors of La Plata Electric Association, Inc. (Cooperative) and to develop an increased understanding of Board responsibilities and authorities and to define the Board's accountability.

### II. POLICY

A. To establish and maintain a legal entity by:

1. Ensuring that the legal requirements, as set forth in the Articles of Incorporation, the Bylaws, and other regulations applying to the Cooperative, are complied with regularly, including, but not necessarily limited to:
  - a. All applicable statutes, ordinances, rules, and regulations of the United States Government, State and local governments, and political subdivisions, agencies and commissions thereof.
  - b. All applicable policies and procedures of applicable lending institutions.
  - c. All applicable regulations and legal directives of federal, state, and local tax and regulatory agencies and commissions.
2. Selecting and appointing the General Counsel, developed in consultation with the Chief Executive Officer (CEO) and periodically review the performance and compensation of the General Counsel.
3. Studying, reviewing, and approving revisions and other changes in the Bylaws, as necessary or required, to be submitted to the membership.
4. Reviewing and approving contracts such as loan agreements, wholesale power contracts, and power system construction contracts, unless such tasks have been delegated to the CEO.
5. Reviewing and approving rates, "Rules and Regulations", the "Electric Service Regulations", and the "Line Extension Policy".
6. Approving applications for membership in the Cooperative.

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7. Ensuring that complete and accurate minutes of the Board and the Annual Membership Meetings are prepared, approved, and maintained. Minutes of the Board and membership meetings will be taken by a Recording Secretary, who will prepare a draft for the CEO, Secretary and General Counsel to review before distribution to the Board.
  8. Authorizing eminent domain proceedings by the Cooperative as required.
  9. Reviewing, annually, in consultation with the CEO and General Counsel, the Cooperative's Articles of Incorporation and Bylaws for any changes to meet current conditions.
  10. Reviewing, annually, the voting districts in compliance with Article III, Section 3 of the Bylaws.
- B. To act as Trustees of membership interests by:
1. Conducting well-planned membership meetings to adequately inform its members; obtain their ideas and suggestions, and to promote understanding of the Cooperative's goals, objectives, policies, plans, and programs.
  2. Keeping well-informed about the changing needs of members and how the Cooperative might assist in meeting these needs.
  3. Ensuring that the members are informed of the results of the operations through periodic newsletters and other publications, annual reports, and membership meetings.
  4. Complying with Board policies and Bylaws.
  5. Keeping well-informed by expanding skills and understanding as Board members, and ensuring that the Board, individually and corporately, understand and exercise their fiduciary duty and their duty of loyalty and obedience.
  6. Arranging periodically appraisals of Board performance and for a systematic program to keep the Board growing in its abilities.

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7. Assisting new Board members to develop a greater understanding of the Cooperative and their basic responsibilities and authorities. An orientation will be arranged for new Board members on the Cooperative's goals, objectives, policies, plans and programs.
8. Keeping the members informed of problems faced by the Cooperative which require their support. Every reasonable effort shall be made to keep the members advised of the long range outlook on power costs, and as far in advance as possible on the need for adjustments in retail electric rates.
9. Protecting the assets of the Cooperative through appropriate insurance policies and coverage and by making sure that the policies, regulations, and mortgages of lending agencies are in compliance.
10. Selecting and appointing independent financial auditors, developed in consultation with the CEO and periodically reviewing the performance and compensation of the auditors.
11. Reviewing annually, with the independent financial auditors, corporate accounting and internal control procedures.
12. Ensuring that the Officers, the CEO, and other employees are insured in accordance with requirements as prescribed by the Board.
13. Establishing policies governing the investment of funds and designating those authorized to sign checks, drafts, notes, contracts, deeds, mortgages, and other instruments on behalf of the Cooperative, including investments in subsidiaries.
14. Holding well planned and effectively conducted Board meetings monthly, or more often if required. The preliminary agenda for such meetings shall be developed by the CEO in consultation with the President. The agenda will be distributed in advance of the Board meeting with appropriate supporting information. The agenda shall be posted at least 10 days before the meeting at the Durango and Pagosa Springs offices of the Cooperative, and on the Cooperative's website.
15. Establishing and periodically reviewing policies governing director education and development and the payment of travel, out of pocket, and other expenses of Board members.

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16. Approving purchase, transfer, lease and/or sales of all real estate.
  17. Filling vacancies on the Board for any unexpired term of office in accordance with Article III, Section 7 of the Bylaws.
  18. Reviewing recommendations of the CEO on the program for the Annual Membership Meeting, and reviewing the results of such meeting and making appropriate recommendations to the CEO on any improvements which might be made to make such meetings more effective.
  19. Ensuring the Cooperative provides leadership and cooperates in projects and activities dedicated to the betterment of the community, state, and nation, and to secure favorable public opinion and understanding of such activities.
  20. Inviting the participation of the members in planning and carrying out programs that affect them.
- C. To consider and adopt short and long range plans by:
1. Providing its members safe, reliable electricity at the lowest reasonable cost while being environmentally responsible.
  2. Annually reviewing and approving the strategic plans, goals and objectives of the Cooperative, as developed and recommended by the CEO in consultation with the Board.
  3. Reviewing, in consultation with the CEO, proposed policies and adopting such policies as appropriate, and ensuring that these policies are reviewed periodically.
  4. Reviewing and consider approval of primary operating, community, and membership programs, policies, services, and activities developed and recommended by the CEO, and/or Board members taking into account the feasibility of such recommendations and the financial ability of the Cooperative to provide these programs and services.
  5. Reviewing and approving the annual work plans, forecasts and budgets, in terms of achieving the desired end results in the operation of the Cooperative; to provide the best possible service to the members.

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6. Adopting financial plans and policies essential to maintaining a sound financial structure for the Cooperative.
  7. Adopting, in consultation with the CEO, policies for maintaining good member, public and governmental relations and programs for community and economic development, demand side management and energy conservation.
  8. Reviewing, in consultation with the CEO, studies of long term forecasts and needs and determine necessary short and long range plans in the areas of organization, facilities, and services. Analyze annual work plans developed by the CEO and his/her staff.
  9. Reviewing recommendations of the CEO on the need for major facilities.
  10. Reviewing, in consultation with the CEO, power requirements studies and load projections to make sure they are realistic and reflected in the Cooperative's planning for additional distribution, transmission, substation, and communications facilities and system improvements. Compare forecasts to actual load projections and discuss with the CEO any remedial action required.
  11. Reviewing, periodically, CEO succession plans.
  12. Reviewing, in consultation with the CEO, external issues such as competition, retail wheeling, deregulation, and other substantial industry issues.
- D. To provide operating requirements by:
1. Interviewing candidates, and selecting and employing a competent CEO.
  2. Establishing policies, or by appropriate resolution, on the delegation of authority to the CEO.
  3. Advising the CEO, upon his/her request, in regard to specific managerial decisions which are within his/her delegated authority to make and for which results he/she is to be held responsible.
  4. Authorizing monies and expenditures of such monies through the adoption of the Strategic Plan & Financial Forecast.

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5. Establishing committees, when necessary, receiving reports and recommendations from special or standing committees, and taking appropriate action as a result of such reports. The functions of such committees will be in writing and reviewed periodically by the Board of Directors.
6. Ensuring that controls are established which can be used in appraising the effectiveness of the operations by:
  - a. Reviewing periodic reports from the CEO to ensure conformity to the Board's approved goals, objectives, policies, plans, and programs. These reports should be of sufficient scope to enable the Board to:
    - 1) Prevent unauthorized action.
    - 2) Predict trends and forecast results.
    - 3) Determine where remedial or corrective active may be required.
    - 4) Measure results against work plans.
  - b. Reviewing the annual financial audit and the management letter with the auditor and ensuring that any necessary action is taken. The audit and the management letter shall be sent to the Board prior to the meeting when they are to review it.
  - c. Reviewing any independent management audit if such an audit is undertaken, and ensuring that Board approved recommendations are carried out by receiving and reviewing regular progress reports from the CEO.
  - d. Performing an annual performance review and appraisal of the CEO.
7. Acting Trustees of membership interests with respect to the Cooperative's investment in subsidiaries by:
  - 1) Electing directors when appropriate.
  - 2) Funding subsidiaries as necessary.
  - 3) Acting as shareholders.
  - 4) Reviewing monthly reports including financial impact on the Cooperative.

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8. Review, periodically, the Cooperative's overall objectives and goals as recommended by the CEO and the strategy to achieve these objectives and goals.
9. Reviewing insurance policies and coverage recommended by the CEO to ensure that the assets of the Cooperative are protected.
10. Reviewing proposals presented by the CEO for acquisition purchases or sale of land, impending condemnation for rights-of-ways, and certain easements. Ensures that such purchases or sales are not finalized until all lending and regulatory requirements have been met.
11. Reviewing renewable energy projects and Demand-Side Management issues.
12. Working closely with the National Rural Electric Cooperative Association and the Colorado Rural Electric Association to monitor public policy and legislative initiatives.

### III. RESPONSIBILITY

- A. The Board may assign any or all of these functions to a committee of the Board or to the CEO, as long as such action is consistent with the Bylaws or other legal requirements.
- B. The President of the Board of Directors is responsible for the administration of this policy.

1/17/2018  
Date

  
Secretary