

VALLEY ELECTRIC ASSOCIATION, INC.

Board Policy #110

Subject: CEO SUCCESSION PLANNING POLICY

Dated: October 29, 2014

Supersedes Date: March 30, 2012

I. OBJECTIVES

- A. To meet the Board of Director's trusteeship responsibility so as to ensure that the day-to-day executive management of the Association is discharged by an individual possessing the necessary skills and competence required for the position.
- B. To anticipate the circumstances that might arise which would disrupt the management of the Association, and to have in place appropriate procedures to address normal absences as well as unforeseen circumstances.

II. POLICY

- A. The Board of Directors of the Association hereby establish the following procedures for addressing CEO absence for the purpose of ensuring that the Association is managed by an individual possessing at the least the minimum skills and competency level necessary to carry out the Association's business.

1. Routine Temporary Absence.

- a. The CEO shall designate an Acting CEO from a member of Senior Management if the CEO is or will be temporarily absent for one full day or more. The CEO may change this designation at any time.

2. Unforeseen Temporary Incapacitation.

- a. In the event that the CEO is temporarily incapacitated, the Board of Directors will designate an Acting CEO to act as CEO for the period of temporary incapacitation. This temporary responsibility shall be assigned to a member of the Senior Management. The Board of Directors may change this designation at any time.
- b. The Board of Directors may provide for an increase in pay to compensate a Senior Management member who is given such a temporary Acting CEO assignment. The individual chosen as temporary Acting CEO should receive no less than the minimum salary established for the CEO's position.

3. Vacancy.

- a. Board of Directors action in case of loss of the CEO.
 - i. In the event of the loss of the CEO for any reason, the President shall be notified immediately by a member of Senior Management.
 - ii. The President shall appoint a temporary Acting CEO from a member of Senior Management and shall call a special meeting of the Board of Directors. Such meeting to be scheduled as soon as practical, but no later than ten (10) days from the date of occurrence of the vacancy.
 - iii. The temporary Acting CEO shall:
 - (a) Notify each Director of the circumstances and the time, place, and date of the special Board of Directors meeting.
 - (b) Notify the Association's General Counsel of the circumstances and the time, place, and date of the special Board of Directors meeting.
 - (c) Conduct the day-to-day affairs of the Association as necessary until the special Board of Directors meeting.
 - (d) Notify the National Rural Utilities Cooperative Finance Corporation (CFC) and other such financing institutions of the circumstances.
 - (e) Contact the Association's national association, NRECA, to provide names of competent, retired individuals who can act as Interim CEO while the Board of Directors considers conducting a search for a more-permanent CEO replacement.
 - iv. In the special Board of Directors meeting, the Board of Directors shall:
 - (a) Appoint an Interim CEO until a more-permanent CEO is selected.
 - (b) Conduct the following business in Executive Session, inviting the General Counsel and Interim CEO to attend the meeting, if deemed necessary.
 - (i) The President shall appoint a Screening Committee consisting of at least three (3) Directors. The President shall be a member of the committee and shall act as Chairperson.
 - (ii) Determine the method or methods of obtaining applications from highly qualified candidates for the vacancy, which may include but shall not be limited to, the following:
 - Secure a professional management search firm to recruit applicants, such as NRECA Management Services, or a commercial recruiting firm with a nationwide base.
 - Advertise in nationwide utility industry publications and statewide periodicals and publications.
 - Obtain the list of employees interested in the vacancy.
 - (iii) Determine the salary range and benefits to be offered to candidates based on qualifications and experience.
 - (iv) Establish a time schedule as a goal for the selection of the replacement CEO.

- b. Selection of the replacement CEO:
 - i. Screening Committee:
 - (a) The Screening Committee shall (i) proceed in the implementation of the plan of action approved by the Board of Directors, (ii) thoroughly investigate all candidates, and (iii) proceed to select the most qualified candidates from all sources. The criteria contained in Appendix A of this policy shall be considered by the Board of Directors when making these selections. The Board of Directors shall specifically consider and give added weight to qualified members of Senior Management interested in the position. All candidates that were not selected by the Selection Committee shall be notified that their application was not selected for further consideration.
 - (b) The Screening Committee shall invite the remaining candidates to an interview with the Board of Directors at the expense of the Association and at such time and place as determined by the President.
 - (c) The Screening Committee shall develop a standard set of questions to be utilized during the interview, and each applicant shall be asked to respond to these questions.
 - ii. Board of Directors:
 - (a) The Board of Directors in their entirety, in Executive Session, shall be furnished all information on each of the applicants selected by the Screening Committee, and shall interview each applicant utilizing a standard set of questions as determined by the Screening Committee.
 - (b) Each Director shall evaluate each candidate individually using a standard point system as determined by the Screening Committee.
 - (c) All rating sheets shall be tabulated with the total results furnished to the Board of Directors.
 - (d) A secret ballot of the Board of Directors shall be conducted between the top two (2) candidates indicated by the tabulated evaluation.
 - (e) If such ballot results in one (1) candidate receiving at least 80% of the votes cast, such candidate shall be deemed to have been selected as the CEO. If such ballot does not result in one (1) candidate receiving 80% of the votes cast, the qualifications of the two (2) candidates shall be reviewed and another secret ballot taken. The candidate receiving the majority of the votes cast in the second ballot shall be deemed to have been selected as CEO.
 - (f) The person so chosen shall be notified, and all other candidates shall be informed that another person has been selected.

- B. The Board of Directors of the Association hereby establish the following procedures for the further development of existing staff and organizational evaluation of the existing direction of the Board of Directors, Senior Management, of the Association as a whole.

1. Staff Development

- a. The CEO will assure that financial resources are allocated each year in the Association's work plan and budget for the training and professional development of the Senior Management.
- b. It is the intent of the Board of Directors that individual staff members be given regular opportunities to increase their professional competence through participation in such activities as seminars, conferences, training programs and the NRECA Management Internship Program.
- c. It is the intent of the Board of Directors that Senior Management be given the opportunity to regularly interface with the Board of Directors in order to increase their understanding of governance and Board of Directors/CEO relations.

2. Organizational Evaluation.

- a. Through on-going strategic planning, the Board of Directors will monitor the direction of the Association to assure that the Association is meeting its leadership responsibilities to the membership.
- b. From time to time, the Board of Directors will conduct a self-assessment in order to evaluate its own performance as the Association's governing body and its relationship to the CEO. This will be particularly important prior to conducting an executive search, if necessary.

III. RESPONSIBILITY

It shall be the responsibility of the Board of Directors to revise and refine this policy as necessary

Addendum A to Policy 110

Chief Executive Officer

JOB SPECIFICATIONS

Education

Bachelor's Degree in business administration, or other appropriate discipline required.

Experience

Five years of utility management experience is required, preferably in a cooperative environment. A broad record of experience with power supply, operational and financial systems is essential. Experience in providing diversified services and working with large power accounts is highly desirable.

Knowledge

Must be familiar with the competitiveness issues facing the electric industry. Must be able to develop work plans and budgets. Must understand the relationship between a board of directors and the CEO. An understanding of RUS financial and technical standards is desirable. Must be able to effectively use current technology to improve the effectiveness and efficiency of the cooperative.

Skills, Abilities and Characteristics

Must be of the highest integrity and possess excellent communications and interpersonal skills. Must be a proven leader with the ability to guide the organization through the use of clear vision and the development of strategic corporate objectives. Must be able to build the trust and support of the Board of Directors, the employees and the membership. Must possess proven manager/CEO skills with the ability to hire, develop and delegate to the professional staff, maintaining a sense of teamwork and common purpose. Must be willing to cooperate and collaborate with other managers and organizations to achieve strategic objectives. A strong commitment to customer service, economic development and community involvement are essential. Must be able to support the cooperative principles.

Working Environment

Domicile within service territory is preferred. Some travel is expected in order to attend the meetings of related associations. Active participation in civic and community groups is expected.