

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 104

SUBJECT: DELEGATION OF AUTHORITY FROM THE BOARD OF DIRECTORS TO THE PRESIDENT AND CEO

I. OBJECTIVE

To define the delegations of authority from the Board of Directors to the President and CEO to enable him/her to adequately direct the operations of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and to report to the Board on the results achieved.

II. POLICY

- A. Planning: To formulate, with the staff, as appropriate, the policies of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION to be recommended by the President & CEO to the Board of Directors for their consideration. Such policies shall be reviewed by the President and CEO at least once a year and a recommendation made to the appropriate committee or the full board on any revisions required.
- B. Objectives: To develop, with the staff, the viewpoints, objectives, and goals of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and to review periodically these objectives and goals, as well as the results achieved, with the Board or a Committee of the Board.
- C. Long and Short Range Plans: To conduct studies with the staff and outside consultants, if necessary, and recommend to the Board short and long range plans, including plans in such areas as system studies, engineering work plans, power requirements and load forecasts, financial forecasts, energy management, member and public relations, facilities, etc., and to report to the Board on results compared to such plans.
- D. Membership Meetings: To develop, with the staff, plans for Annual and other Membership Meetings of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and to make appropriate recommendations to the Board, or a Committee of the Board.
- E. Work Plans and Budgets: To formulate, with the staff, annual work plans and budgets for GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION and recommend them to the Board or Committee of the Board for their consideration, and to provide detailed monthly reports on revenue, expenses, and other results compared to such plans.
- F. Legislation: To analyze and determine, with the staff, and in cooperation with Organizations such as the Kentucky Association of Electric Cooperatives, and the National Rural Electric Association (N.R.E.C.A), state and federal legislative and regulatory matters to be proposed, supported, or opposed consistent with established policy.
- G. Retail Rates and Service Rules and Regulations: To periodically study and analyze the Cooperative's rates and service rules and regulations to make sure they meet current operating requirements and to make appropriate recommendations to the Board of Directors.

ORGANIZATION

A. Organization Structure

- 1. To periodically review activities of GRAYSON RURAL ELECTRIC COOPERATIVE

CORPORATION and to determine, with the staff as appropriate, the organization structure best suited to carry out the overall objectives of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION within the limitations of the budget.

2. To determine, with the appropriate staff members, the need for additional positions; the transfer, reassignment, or elimination of present positions; and to effect such changes, provided they are within the limitations of the personnel costs of the approved budget.

B. Selection of Personnel

1. To develop or approve standards and qualifications for use in recruitment, transfer, and promotions of personnel. Such standards and qualifications should meet all federal and state legal requirements.
2. To select, appoint, transfer, promote, and terminate personnel.

C. Training

1. To ensure that the staff members are trained in accordance with the qualifications and requirements of their positions.
2. To initiate and promote, through appropriate staff, training programs for all personnel within the limitations of the approved budget, including sending personnel to training programs outside the organization.

D. Performance Appraisals

1. To appraise, at least annually, the performance of immediate staff members and to counsel with them and assist them to develop and improve.
2. To ensure that a performance appraisal program is established and carried out for all personnel and that adjustments for those outside the bargaining unit are based on merit.

E. Position Descriptions

1. To ensure that written position descriptions and job specifications are prepared and reviewed as necessary for all personnel. Such completed descriptions will not require Board approval.

F. Fringe Benefits

1. To administer or approve activities and actions with respect to vacations, holidays, sick leave, and other fringe benefit programs for the personnel within established policies and within the limitations of the budget.

G. Consultants

1. To recommend to the appropriate committee of the Board the employment of principal consultants, and contracts and agreements for their services with the committee making an appropriate recommendation to the Board. The awarding of all contracts with consultants should comply with RUS policies and procedures. The selection of any consultants working in areas which affect the functions of the Board requires the approval of the Board.
2. To select and appoint other outside specialized consultants, and to negotiate contracts or

agreements for services of such specialized consultants, within the limitations of the work plan and budget, and to advise the Board of actions taken.

3. To report to the Board periodically on services provided and the fees received by principal consultants.

H. Wage and Salary Administration

1. To develop a systematic wage and salary plan and present it to the appropriate Board Committee for review and recommendation to the Board. The Wage and Salary Plan shall be reviewed, and adjusted as necessary. Internal wages and salaries shall be reviewed and adjusted as necessary each year. The Union contract shall control wages for the Bargaining Unit.
2. To determine all salary adjustments, except the President and CEO within the Board approved wage and salary plan and policy and within the limitations of the budget. Salary adjustments for the President and CEO shall be determined by the Board with an appraisal conducted by the Legal Counsel annually, each January.
3. To evaluate new positions and reevaluate existing positions, if their responsibilities and authorities substantially change, and as a result of such evaluation or reevaluation, place these positions in the Board approved wage and salary PLAN.
4. To conduct labor surveys as necessary to determine salaries paid for comparable jobs in the area in which the Cooperative recruits personnel and make appropriate recommendations to the Board of Directors on any revisions required in the approved wage and salary plan.

I. Labor Relations

1. To assist the Negotiating Committee in negotiating labor contracts and make appropriate recommendations to the Board, as outlined in Board Policy No. 102.
2. To administer the approved labor contract and see that the appropriate supervisors understand the provisions of the contract and its administration.

OPERATIONS

A. Overall Administration

1. To direct the day to day operations and activities of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION except as specified otherwise by the Bylaws or the Board; to delegate authority to immediate staff; to authorize further delegation of authority to any level of management with full recognition that the President and CEO cannot be relieved of overall responsibility or accountability.
2. To manage operations of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION in accordance with the policies and procedures of the Board and in accordance with policies and procedures of RUS and other lending institutions; as well as applicable federal, state and local laws.
3. To designate an appropriate person to serve as Acting President and CEO in an extended absence of the President and CEO. In case the President and CEO becomes incapacitated, the designated person shall serve temporarily as Acting President and CEO until the Board of Directors takes appropriate action, at a meeting to be convened as soon as possible.

4. To ensure that staff advice and assistance is provided to the Board and its committees, and to participate in the deliberations of these committees as requested or required.
5. To accept invitations to participate in or designate other staff members to participate in national, regional, state, and local meetings which further the best interests of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION, within the limitations of Board Policy and the approved budget. Participation by the President and CEO in such activities which require considerable time over a sustained period requires the approval of the Board. The President and CEO serving on the Board of other organizations shall be reported to the Board.
6. To serve as the authorized spokesperson for GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION on major issues and to keep the Board up to date and well informed on such issues.

B. Membership Services

1. To direct membership services in such areas as, but not necessarily confined to, public and member relations, load management, energy conservation, marketing, communications, and research as authorized by the Board.

C. Legislation

1. To develop and carry out, in coordination with organizations such as the Kentucky Association of Electric Cooperatives and N.R.E.C.A., and within Board policy, a legislative program furthering GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S objectives and policies. Such a program will include, but not be limited to, research, preparation, and presentation of testimony before appropriate committees, consultation with members of Congress, the State Legislature, and state and federal administrative and regulatory agencies.
2. To participate with allied groups to obtain their increased understanding and support of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S legislative and regulatory objectives and programs.

D. Financial

1. To make expenditures in accordance with the approved budget, including approval of non-budgeted items up to \$50,000 or all non-budgeted items, which, in his/her judgment, are vital to effect unanticipated emergency maintenance or repairs. Non-budgeted items exceeding \$50,000 which are not items vital to effect unanticipated emergency maintenance or repairs, must be presented to the Board for approval.
2. To supervise the investment or reinvestment of funds, to cash investments when due, and when and if necessary to protect GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S cash position and carry out an effective cash management program. Investments will generally be made in CFC securities, in federal government insured or guaranteed securities, or in other securities approved by the lending agencies.
3. To authorize and approve the travel expenses of personnel except the President and CEO on company business within the limitations of the budget and within established policy. Such expenses shall be supported by itemized expense accounts with receipts attached, as appropriate. Expenses of the President and CEO will be reviewed by the Board.

4. To approve accounting systems, procedures, statistics, and types of reports necessary for sound financial management and to meet the requirements of lending and regulatory agencies and for necessary control information required by the Board.
5. To purchase or lease all equipment, vehicles, hardware, furniture, materials, and supplies within the guidelines of the budget. All purchases shall comply with RUS policies or procedures. All purchases of major equipment or large quantities of materials for distribution lines, and associated facilities shall be done with competitive bids when appropriate.
6. To negotiate contracts for construction in accordance with RUS procedures, with such contracts to be submitted to the Board for approval. Once approved, the contracts will be awarded in accordance with RUS procedures so construction completed can be reimbursed from loan funds without delay.
7. To execute and deliver purchase orders or contracts for projects previously approved by the Board.
8. To approve and sign change orders under contracts previously approved by the Board and RUS if less than \$100,000.
9. Those in excess of \$50,000 are to be reported to the Board at the next Board meeting and all changes are to be approved by RUS if appropriate.
10. After authorizing the purchase of prime insurance by the Board, to see that the documentation necessary is prepared, to achieve the lowest cost financing and to obtain approvals as are necessary.
11. To determine insurance coverage's required for effective risk management and to negotiate purchase of such coverage.
12. To authorize individual memberships in civic clubs and organizations and company memberships in local organizations in which he/she thinks membership of him/herself or staff members would be beneficial and to authorize payment of dues by GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION within the limitations of the budget. Professional registration fees will only be paid for if registration in such organization is deemed to be desirable or required by the President and CEO.
13. To execute and deliver on behalf of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION agreements essential to the management of the Cooperative, such as affidavits, agreements, and leases.
14. To negotiate franchises and execute all petitions and documents in relation thereto; to acquire by purchase or lease any easements and execute, deliver and accept all documents relating thereto; to execute and deliver all environmental studies and reports; to make application for all permits relating to the operations of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION; to design, route, and determine the site for all facilities.
15. To perform all acts necessary or incidental to the management of the operations of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION, unless such acts are specifically reserved to the Board pursuant to law, the Articles of Incorporation, the Bylaws, or policies.

E. Controls

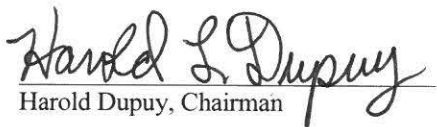
1. Operations: To submit periodic and special reports to the Board on conformity of operations

with approved policies and programs; to recommend any revision requiring Board approval and to direct any remedial action required.

2. **Finances:** To submit periodic and specific financial reports to the Board to keep them informed of GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S financial position and conformance to financial plans and forecasts, and to see that all persons having access to cash or responsible for purchasing of materials are properly insured in accordance with all requirements of the lending agencies.
3. **Budgets:** To report monthly to the Board on the revenues and expenditures compared to budget. To recommend any revisions required, and to direct any necessary remedial action.
4. **Annual Financial Audit:** To participate with the Board in review, with the auditor present, of the annual financial audit and management letter and to direct any remedial action required and to ensure that the management letter, along with the Audit Report, is sent to each Board Member prior to the meeting at which they are to be discussed.
5. **Materials Management:** To determine the amount of and establish proper control of all physical inventories to minimize investment in inventories needed to meet operating and construction needs. To ensure that a system is established to accurately account for all materials used.
6. **Member Complaints:** To submit periodically to the Board an analysis of member complaints and to take any corrective action required or to recommend appropriate revisions in Board Policy.
7. **Member Meetings:** To report to the Board an analysis by the President and CEO and his/her staff of effectiveness of annual and other Member meetings with recommendations on any improvements which can be made.
8. **Reliability of Service:** To submit annually to the Board a report on service reliability and any remedial action taken.
9. **Bylaws:** To report to the Board, or a committee of the Board, an annual review with the Cooperative's Attorney of the Bylaws and to recommend any revisions required.
10. **Availability of Power Supply:** To report periodically to the Board on load growth compared to the power requirements studies and to recommend plans to meet anticipated growth to ensure an adequate and reliable supply for the members at the lowest possible cost consistent with sound business and management practices.
11. **Rates:** To continually study power and other costs compared to projections and to recommend to the Board, as far in advance as possible, any changes in retail electric rates necessary to maintain financial strength and stability and to meet all requirements of lending and regulatory agencies.
12. **Construction:** To review construction practices with appropriate staff to make sure projects are being constructed in accordance with RUS policies and procedures so that reimbursement for completed construction can be obtained promptly.
13. **Internal Auditing:** To independently assess the adequacy, effectiveness, and efficiency of the systems of control within the organization and the quality of ongoing operations against policies and procedures established by management and/or the Board, and laws of RUS and other lending institutions; as well as applicable federal, state and local laws.

III. RESPONSIBILITY

- A. The President and CEO shall report to the Board periodically on how these delegations are being carried out. The President and CEO may make further delegations to his/her staff as required.
- B. The Board is responsible for approving any changes in the delegations to the President and CEO.
- C. The Chairman shall be responsible for seeing that performance of the President and CEO is appraised each year by the full Board and that a report is made to the full Board by the Legal Counsel on the results of such appraisal, and that the results of such appraisal are discussed with the President and CEO.


Harold Dupuy, Chairman


Jim Bentley, Secretary/Treasurer

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