

# Energy Northwest **Executive Board POLICIES**

## **Excellence in Governance**

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# EXCELLENCE in Governance

STRATEGIC, INTRUSIVE, ACCOUNTABLE LEADERSHIP

**O-1**

Strive for Excellence

**O-2**

Comply with Statutory and Regulatory Duties

**O-3**

Set Strategic Direction and Outcomes

**O-4**

Fulfill Fiduciary Responsibilities

**O-5**

Provide Resources

**O-6**

Assure Effective Management

**O-7**

Engage and Be Accountable to Stakeholders

**A-1**

Place Highest Priority on Public Health and Safety

**A-2**

Provide Clear, Majority Based Direction

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Demonstrate Integrity and Ethical Conduct

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Communicate Honestly and Directly

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Be Accountable for Board Decisions

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Be Fully Engaged in Board Activities

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Use Resources Cost Effectively

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Obtain Diverse Independent Assessments of Performance

**E-1**

Critical Board Self Evaluation

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Define Board Purpose, Policies and Procedures

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Define CEO/ Board Working Relationship

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Effective Performance Management

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Comprehensive Board Education and Development

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Periodic Facility Visits

## Excellence in Governance Model

The Excellence in Governance Model consists of three interdependent tiers of attributes. Its foundation is based on the guiding principles of strategic, intrusive, accountable leadership.



### **Tier 1 Board Obligations to Excellence**

The board's Obligations to Excellence are commitments by the executive board to sustain good stewardship of Energy Northwest assets as public power advocates.



### **Tier 2 Board Member Actions for Excellence**

Members' Actions for Excellence represent individual and group excellence behaviors that significantly impact overall agency performance.



### **Tier 3 Board Enablers of Excellence**

The board's Enablers of Excellence provide assurance methods to achieve predictable governance outcomes by promoting consistency in executive board action.

## Executive Board Policies O-1 to O-7

### History

In January 2014, the Energy Northwest Executive Board approved the Excellence in Governance model and associated definitions. The model was created based on an initiative put forth by the Executive Board to strengthen their performance as a governing board.

The model includes a statement of guiding leadership principles. These are positive, general principles that serve as the foundation of how the agency conducts business – and leads – Energy Northwest as a governing board. They are motivational and driving traits for how the board will engage as individual members and as a board in the best interest of Energy Northwest and ratepayers.

The Guiding Principles Statement is “Strategic, Intrusive, Accountable, Leadership.”

The model consists of three tiers each containing multiple attributes. The tiers include: Board Obligations to Excellence, Board Member Actions for Excellence, and Board Enablers of Excellence.

### **0-1 Strive for Excellence**

The Executive Board will commit to Excellence in Governance; continually improve board and Energy Northwest performance; hold each other to the highest standards of public power and the nuclear industry; and conduct business in a manner that best serves the interests of all Northwest ratepayers affected by the agency and agency projects.

### **0-2 Comply with Statutory and Regulatory Duties**

The Executive Board will maintain full understanding of and compliance with Revised Code of Washington Title 43, Chapter 52, "Operating Agencies" (as may be amended), and will be aware of board regulatory oversight processes and requirements (e.g., federal, state, local, RCW, etc.).

### **0-3 Set Strategic Direction and Outcomes**

The Executive Board will establish mission, vision and priorities for Energy Northwest; guide and approve strategic focus areas (goals), performance indicators, and milestones for the agency; and with respect to nuclear activities, emphasize nuclear safety, reliability, environmental impact and cost.

## **0-4 Fulfill Fiduciary Responsibilities**

(Board Obligations to Excellence)

The Executive Board will conduct business for the sole benefit and interest of Washington ratepayers. It will fulfill obligations to Northwest ratepayers and comply with statutory requirements to supply cost-effective power, and ensure the long-term financial sustainability and predictability of the agency in such a manner as to promote transparency, accuracy and accountability to ratepayers.

The Executive Board will foster a strict relationship of trust, absent of any board or board member conflicts of interest, with all stakeholders; comply with the net-billing agreement; provide financial advice and counsel as appropriate to the CEO; and consult with financial advisors, members of the investment community and others having well-recognized expertise in areas affecting Energy Northwest's financial needs and integrity.

## **0-5 Provide Resources**

The Executive Board will ensure the agency has adequate budget, staff and other assets to achieve and sustain excellence; and invest and provide resources meet long range needs of the organization.

## **0-6 Assure Effective Management**

The Executive Board will assure an effective management team through robust and comprehensive leadership development and succession planning; critically assess CEO candidates; hire and retain the best qualified individual; define CEO expectations in the CEO job description and through the agency's strategic focus areas (goals); ensure the CEO has the resources to provide financial incentives to quality staff, and performance awards for excellence; provide frequent and constructive feedback to the CEO; and conduct the annual performance evaluation of the CEO, and evaluate how the CEO contributes to the agency's strategic focus areas and strategic priorities.

## **0-7 Engage and Be Accountable to Stakeholders**

The Executive Board will directly engage and promote mutually beneficial partnerships with stakeholders by creating awareness, building support for Energy Northwest, and being transparent, dependable and accessible; and will communicate with stakeholders in an honest, timely, clear and straightforward manner.

## Executive Board Policy A (1 to 8)

### **A-1 Place Highest Priority on Public Health and Safety**

The Executive Board shall make risk-informed decisions, placing highest priority on public health and safety; consider short-term and long-term implications.

### **A-2 Provide Clear Majority Based Direction**

The Executive Board shall provide intrusive, risk-based, critical direction and guidance to the CEO. The board shall engage in thorough discussion prior to board decisions; achieve a meeting of the minds, clearly articulated by board action; seek to achieve consensus in direction given by the board (but majority direction is sufficient); act as a unified body; clearly communicate direction and expectations for organizational results to the CEO; and support their decisions.

### **A-3 Demonstrate Integrity and Ethical Conduct**

The Executive Board shall serve with a strong sense of purpose and integrity, placing the interests of the ratepayers and Energy Northwest



first in all our deliberations; and comply with both the intent and spirit of applicable state laws, our own Executive Board policies and our Code of Conduct.

- a.** Acknowledge that such compliance is critical for maintaining the ethical health of the Executive Board, supporting the agency's long-term prosperity, and preserving and promoting our shared agency values.
- b.** Be responsible, acknowledging and fully engaging upon our duties.
- c.** Be uncompromising on matters dealing with nuclear plant safety, reliability and excellence in the operational performance of Columbia Generating Station.
- d.** Protect confidential and privileged information concerning Energy Northwest.
- e.** Be respectful, ensuring fellow board members have equal standing and act in a manner that brings credit upon Energy Northwest.

#### **A-4 Communicate Honestly and Directly**

The Executive Board shall foster a communication climate that supports unhindered, open and straightforward communication with the CEO, any employee or group of employees, the Board of Directors, the Participants Review Board, member utilities, members of the public, government officials or bodies and any other party interested in the business of Energy Northwest; and ensure fellow board members are welcome to express opinions.

#### **A-5 Be Accountable for Board Decisions**

The Executive Board shall meet their commitments; take ownership of individual and group actions; and understand the impact board actions may have on the agency, other individuals and other organizations.

#### **A-6 Be Fully Engaged in Board Activities**

The Executive Board shall regularly attend and participate actively in board meetings, and individual education and development opportunities; come to meetings prepared (limit personal digital assistant/cell phone use during meetings); and stay well informed on agency issues.

## **A-7 Use Resources Cost-Effectively**

The Executive Board shall engage agency staff and use resources efficiently and cost effectively to serve agency objectives; understand what staff can realistically achieve; and avoid over-commitment of staff and resources. The Executive Board shall support the long-term safe, reliable and cost-effective operation of agency projects.

## **A-8 Obtain Diverse Independent Assessments of Performance**

Internal assessments will include regular and active Executive Board engagement in those core and emergent Energy Northwest business meetings most critical to agency success such as management review meetings, risk meetings, outage preparation meetings and other meetings essential to the safe, reliable and cost-effective achievement of the Energy Northwest mission.

External assessments will include routine reports to the Executive Board from independent and diverse entities such as the Corporate Nuclear Safety Review Board, the Institute for Nuclear Power Operations, and auditors (including independent financial statement auditors). The Executive board will fully utilize the board's independent auditor.

## Executive Board Policies E-1 to E-6

### E-1 Critical Board Self-Evaluation

The Executive Board will hold itself to the highest standards of board governance; proactively self-evaluate board performance on a regular basis to determine and ensure effectiveness and cohesiveness as a board; and be its own toughest critic by identifying and examining lessons learned and incorporating those lessons, as applicable, into board processes.



## Executive Board Excellence Meeting Critique

### Overall Meeting Effectiveness Review

		Did we...	Guiding Principle
		Did we keep the presenters on topic?	Intrusive
		Did we receive the agenda and background information in sufficient time to prepare for the meeting?	Intrusive
		Did we come prepared to discuss materials received in advance?	Accountable
		Did we make decisions based on what is best for Energy Northwest, its members and Northwest Ratepayers?	Strategic
		Did we attend and participate in the meeting?	Accountable
		Did we have open, intrusive and relevant discussions?	Strategic
		Did we work to resolve differences of opinion?	Strategic
		Did we identify and assign actions?	Accountable
		Did we begin and conclude the meeting on time?	Accountable

Additionally, the board will review details of each meeting's critiques on a quarterly basis (i.e., every three meetings) to ensure use and input of each meeting's critique is improving future meeting's effectiveness.



The practice of an Executive Board self-evaluation once a year will continue with support from a staff-contracted consultant.



In preparation for the annual self-evaluation (among other items) the board will critically assess board meeting and board performance using the details of meeting critique forms completed throughout the year. Additionally, the board will use the "Executive Board Excellence in Governance" form to annually assess board effectiveness.

## Executive Board Excellence in Governance

### -Board Effectiveness-

#### Overall Board Effectiveness Review

		Attributes: Do we...	Guiding Principle
		<b>Board Obligations to Excellence</b>	
		Strive for Excellence	Strategic, Intrusive, Accountable Leadership
		Comply with Statutory and Regulatory Duties	Accountable
		Set Strategic Direction and Outcomes	Strategic
		Fulfill Fiduciary Responsibilities	Accountable
		Provide Resources	Accountable

		Attributes: Do we...	Guiding Principle
		Assure Effective Management	Intrusive
		Engage and Be Accountable to Stakeholders	Accountable
<b>Board Member Actions for Excellence</b>			
		Place Highest Priority on Public Health and Safety	Strategic, Accountable
		Provide Clear, Majority Based Direction	Intrusive
		Demonstrate Integrity and Ethical Conduct	Accountable
		Communicate Honestly and Directly	Intrusive
		Be Accountable for Board Decisions	Accountable
		Be Fully Engaged in Board Activities	Accountable
		Use Resources Cost Effectively	Accountable
		Obtain Diverse Independent Assessments of Performance	Strategic, Intrusive
<b>Board Enablers of Excellence</b>			
		Critical Board Self Evaluation	Accountable
		Define Board Purpose, Policies and Procedures	Strategic
		Define CEO/Board Working Relationship	Accountable
		Effective Performance Management	Intrusive
		Comprehensive Board Education and Development	Intrusive
		Periodic Facility Visits	Intrusive

## **E-2 Define Board Purpose, Policies and Procedures**

The Executive Board shall ensure policies and procedures are developed and maintained current for all important board responsibilities. It is an expectation for board members to understand the role of the Executive Board; be familiar with Executive Board policies and procedures to ensure our board is fully-engaged and knowledgeable.

## **E-3 Define CEO/Board Working Relationship**

The Executive Board will clearly define, understand and communicate working relationships between the board and the CEO; as a unified body, make policy and policy-based decisions; and solely direct and hold accountable the CEO to manage the organization.

## **E-4 Effective Performance Management**

The Executive Board shall clearly define CEO performance objectives and candidly assess CEO performance; be inquisitive and demonstrate a questioning attitude on CEO-assigned actions to validate and verify expectations are being met; align compensation and incentives with performance objectives; and participate in performance and compensation reviews of the senior management team (CEO and all direct reports).



## **E-5 Comprehensive Board Education and Development**

The Executive Board will be fully and actively engaged in board business, to include participation in individual education and development opportunities; and increase board efficiency and effectiveness by proactively seeking opportunities to increase knowledge and expertise on the agency, industry and governance.

## **E-6 Periodic Facility Visits**

The Executive Board shall participate in onsite visits to agency projects and facilities including Columbia Generating Station and associated nuclear and corporate operations; Nine Canyon Wind Project; Packwood Lake Hydroelectric Project; White Bluffs Solar Station; and new project developments to foster understanding and first-hand knowledge of how our agency operates and conducts everyday business.





# EXCELLENCE in Governance

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## Board Obligations to Excellence

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## Board Member Actions for Excellence

**A-1**

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## Board Enablers of Excellence

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