



Policy Name	Board of Trustees Position Description and Requirements
Revision #	002
Implementation Date	May 2019
Last Reviewed/Update Date	May 2019

Arab Electric Cooperative (AECI) Board Policy

1. Purpose

To explain the fiduciary duties of Trustees and to clarify the standards of conduct and performance for which they will be held accountable when serving on the board.

“A Board of Directors is not expected to conduct the hands-on, day-to-day actual management of the system; this is the responsibility of the CEO/general manager and employees.” Federated Rural Electric Insurance Exchange: *Avoiding Potential Liability*. This is the organization that insures the Board of Directors against many types of legal and financial risk.

2. Scope

The Board of Arab Electric Cooperative exists to: ensure its long-term health, its survival, and guide it in achieving its mission of providing the most reliable power in the safest manner possible at competitive rates. When serving on the board, Trustees have specific fiduciary duties, including the Duty of Care and the Duty of Loyalty. The standards that apply in fulfillment of these duties include but are not limited to:

- Adherence to the Cooperative By-Laws
- Compliance with applicable federal, state, and local laws
- Observance with all AECI Board Policies
- Reading, studying, and asking questions as needed items presented for Board Review. These items may include:
 - Board President and Officer Updates
 - Board Attorney Items of Information
 - Board Auditor Materials
 - General Manager Communications
- Prioritization of the interest of the entire Membership equally

Additional examples of duties of Care to be performed by the AECI Board include:

- Retail rate change requests and strategy
- Debt decisions and equity philosophy
- Real Estate purchases or divestitures
- General, long-term strategy and core principles



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It is understood that that typical electric utility Board decisions will and should have long-term impacts on the Membership that extend well beyond the term limits of the individual Board Members. In fact, the capital-intensive nature of electric utility assets often extend beyond the careers of the Cooperative Employees as well, and is in this paradigm that all of the collective interests of current and future Members must be treated equally and consistently for both the current and future benefit of the Cooperative. The public power mission is bigger than any one of us, and we will strive to continue that model for the next generation.

The Duty of Care. Under this duty, Trustees are required to:

Exercise that degree of care and diligence that an ordinarily prudent person would exercise under similar circumstances.

Make every effort to attend and participate in all meetings of the board, to study materials sent prior to each board meeting, and to follow board policies or bylaw provisions regarding necessary absences from board meetings.

Have, or acquire, the knowledge and skills necessary to set policy and monitor the affairs of a competitive electric utility.

Participate constructively and collaboratively during board meetings to ensure that issues are effectively discussed and resolved within a professional group decision making process.

Study, understand and adhere to all obligations imposed by the Articles of Incorporation, bylaws, contractual agreements, and board policies, including bylaw requirements governing Trustee eligibility to serve on the board.

The Duty of Loyalty. Under this duty, Trustees are required to:

1. Act only in ways that are in the best short- and long-term interests of the Cooperative and its Members.
2. Place the interest of the Cooperative over any personal or professional interests or the interests of any other corporation.
3. Not have any financial interest in any competing business or a business providing a product or service to the Cooperative in accordance with the bylaws and Board Policies.



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4. Avoid the appearance or existence of any conflict of interest, and if any potential conflict of interest arises, to disclose it fully to the Board, to answer questions from other Trustees or legal counsel, and, when appropriate, to absent oneself from the boardroom when the issue is formally discussed or voted upon by the Board.
5. Avoid any future potential conflict of interest by refusing to receive or accept any remuneration, financial or otherwise, from any entity proposing to purchase, supply, trade or impact the operational aspects of the Cooperative.
6. Represent the interests of Arab Electric Cooperative to elected and public officials, and to all Members by understanding and formally acknowledging here that all communication may be perceived from “a Board Member” rather than your individual name.
7. Never act in ways that may be reasonably perceived as harming the image of Arab Electric Cooperative or that hinder its ability to achieve its mission.
8. Publicly support all decisions of the board except in extraordinary circumstances where the Trustee believes doing so would breach a fiduciary duty to the Cooperative and its Member-owners.
9. Voluntarily resign from the board if he or she ceases to be eligible to serve as a Trustee.

Duty to Maintain the Confidentiality of Information

Trustees are frequently entrusted with confidential information. This may include technical or financial information, business plans, personnel information, Member information, and other information that, if disclosed, might be of use to competitors or potentially harmful to suppliers, Members, employees or the Cooperative as a whole. This information is the property of Arab Electric Cooperative.

Trustees shall:

Not discuss confidential information with or in the presence of unauthorized persons, including family members and friends.



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Not disclose confidential information to third parties unless such disclosure is necessary for legitimate business purposes, the result of a court order or is otherwise required and appropriate safeguards are put in place.

Not use Cooperative information or other property or resources for any personal gain or for the gain of anyone else.

Trustees shall not disclose any information discussed in an Executive Session of the Board and shall not disclose the details or circumstances of Board deliberations which occur during an Executive Session.

3. References

Tennessee Valley Authority Act
Tennessee Valley Authority and Arab Electric Cooperative Power Contract, as amended
Tennessee Valley Authority Board Documents concerning AECI Operations
Tennessee Valley Public Power Association Committees and Information
TVA Board's determinations on Public Utility Regulatory Policies Act (PURPA) of 1978 Service Practice Standards dated September 1979
TVA Board's determinations on PURPA Ratemaking Standards dated April 1981
TVA Board's determinations on the Energy Policy Act of 2005 PURPA standards, dated August 2007
TVA Board's determinations on the Energy Independence and Security Act of 2007 PURPA standards, dated January 2010
TVA Board's Use of Revenue guidelines dated April 9, 2013
TVA Board's Service Practice Policies guidelines dated October 27, 2014
TVA Board's Rate Review Process dated July 24, 2015
TVA Board's pole attachment methodology dated February 11, 2016.
Reliability Standards Memorandum of Understanding between AECI and TVA dated July 1, 2016.
Dozens of Cooperative Policies across the state of Alabama and southeastern United States
Current Cooperative Insurance Policies
RUS
FEMA
Arab Electric Cooperative By-Laws
Arab Electric Cooperative Board Policies

My signature above indicates that I have received this Arab Electric Cooperative Board Policy, and I understand that my future eligibility to maintain this office as Board Director is contingent upon adherence to this Policy.



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CERTIFICATE ON POSTION DESCRIPTION

Arab Electric Cooperative, Incorporated

C E R T I F I C A T E

(To be filed annually by board members and candidates for the board)

I, (name) _____ ,

(title) _____ ,

have read and am familiar with the provisions of this Board Policy. Pursuant to such Policy, I hereby make this certificate and agree to comply with such provisions.

To the best of my knowledge and belief I am not involved with or affected by and have no outside interests that create and conflict with the interest of the Cooperative except as follows:

During my service for the Cooperative, I agree to disclose, fully and promptly, any future situation that might involve or appear to involve me in any conflict of interest with the Cooperative and will otherwise scrupulously abide by the provisions of this Policy.

Dated, this day of _____ ,

Witness:

Seal: