GLOBAL EXECUTIVE CONSTRAINT

Executive Limitations

The CEO/General Manager shall not cause or allow any practice, activity, decision, or organizational circumstance which is either unlawful, imprudent or in violation of commonly accepted business and professional ethics.

TREATMENT OF CUSTOMERS

Executive Limitations

With respect to interactions with customers or those applying to be customers, the General Manager shall not cause or allow conditions, procedures, or decisions which are unsafe, undignified, or unnecessarily intrusive.

Accordingly, she or he shall not:

1. Elicit information by any method for which there is no clear necessity.

2. Use methods of collecting, reviewing, transmitting, or storing client information that fail to protect against improper access to the material elicited.

3. Fail to provide appropriate accessibility and privacy in facilities.

4. Fail to provide customers with clear information of what may be expected and what may not be expected from the service offered.

5. Arbitrarily or capriciously administer customer service or credit.

6. Fail to provide a way for persons to be heard who believe they have not been accorded a reasonable interpretation of their protections under this policy.

TREATMENT OF EMPLOYEES

Executive Limitations

With respect to the treatment of employees, the CEO/General Manager may not cause or allow conditions, which are unfair, undignified, disorganized, unsafe, or unclear.

Accordingly, he or she shall not:

1. Operate without written personnel policies, which clarify personnel rules for employees, provide for effective handling of grievances, discipline and terminations, and protect against wrongful conditions, such as nepotism and grossly preferential treatment for personal reasons.

2. Discriminate against any employee for expressing an ethical dissent.

3. Fail to make information available to employees regarding the CEO/General Manager's interpretation of their protections under this policy.

FINANCIAL PLANNING AND BUDGETING

Executive Limitations

The District's multi-year financial plan shall not deviate materially from the Board's Ends priorities or risk fiscal jeopardy. The District's annual budget shall not fail to be derived from a multi-year plan of at least five years.

Accordingly, the General Manager shall not allow financial planning/budgeting which:

1. Fails to include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

2. Allows operating cash to drop below a safety reserve of less than $20 million at the end of any fiscal year.

3. Provides less for Board prerogatives during the year than is set forth in the Cost of Governance policy.

4. Allows Electric System year-end debt service coverage to fall below 1.75.

5. Finances greater than forty percent (40%) of non-generation Electric System capital improvements within a fifteen-year period including the plan year.

6. Plans for rate increases in excess of three percent (3%) in any year, or compound increases in excess of nine percent (9%) over any consecutive five year period.

7. Fails to maintain annual spending on public purposes of three percent (3%) of Electric System revenue beginning in 2001. (Public purposes spending is defined as those expenditures related to conservation, weatherization, and renewable resources.)

FINANCIAL CONDITION AND ACTIVITIES

Executive Limitations

With respect to the actual, ongoing financial condition and activities, the CEO/General Manager shall not cause or allow the development of fiscal jeopardy or a material deviation of actual expenditures from Board priorities established in Ends policies.

Accordingly, he or she shall not:

1. Use any rate stabilization fund reserves without Board authorization.

2. Pay any judgement or settle any claim with funds from the District's self-insurance fund in excess of $100,000, unless authorized by the Board.

3. Fail to present to the Board, on at least a quarterly basis, a report regarding all significant lawsuits filed against the District and any other legal issues that could result in significant financial exposure for the District.

4. Fail to settle payroll and debts in a timely manner.

5. Allow tax payments or other government-authority ordered payments or filings to be overdue or inaccurately filed.

6. Fail to aggressively pursue receivables after a reasonable grace period to the extent it is cost effective to do so.

7. Without prior approval of the Board, compromise or settle:

   A. An employee claim, when the settlement is greater than $25,000, including attorney fees or other expenses, but not including the value of any outplacement or educational assistance, increased length of notice of termination or other non-cash benefits.

   B. Any other demand or claim by or against the District for a monetary amount greater than $100,000.

8. Execute modifications to the existing collective bargaining agreements between the District and the International Brotherhood of Electrical Workers (IBEW), between contracts, that exceed $100,000 of additional expense to the District in the current or next fiscal year.

EMERGENCY CEO/GENERAL MANAGER SUCCESSION

Executive Limitations

To protect the Board from sudden loss of CEO/General Manager services, the CEO/General Manager shall have no fewer than two other executives familiar with Board and CEO/General Manager issues and processes.

ASSET PROTECTION

Executive Limitations

The CEO/General Manager shall not allow corporate assets to be unprotected, inadequately maintained or unnecessarily risked.

Accordingly, he or she shall not:

1. Fail to maintain:

   A. Excess liability insurance, including minimum coverage per occurrence of $50 million; and

   B. Property insurance (for non-transmission and distribution system assets) for replacement value; and

   C. Vehicle insurance; and

   D. Crime and fidelity insurance for personnel with access to material amounts of funds; and

   E. Insurance covering cybersecurity risks.

2. Subject plant and equipment to improper wear and tear or insufficient maintenance.

3. Fail to protect intellectual property, information, and files from loss or significant damage.

4. Receive, process or disburse funds under controls that are materially insufficient to meet the auditor's expectations.

5. Invest or hold operating capital in accounts or investments other than those permitted investments for the State of Washington.

6. Endanger the organization's public image or credibility, particularly in ways that would hinder its accomplishment of mission.

7. Manage the District's power supply for purposes other than meeting customer loads.

COMPENSATION AND BENEFITS

Executive Limitations

With respect to employment, compensation, and benefits to employees, the CEO/General Manager shall not cause or allow jeopardy to fiscal integrity or deviate materially from established compensation and benefit program as approved by the Board annually.

Additionally, he or she shall not:

1. Change his or her own compensation and benefits.

2. Promise or imply permanent or guaranteed employment.

COMMUNICATION AND SUPPORT TO THE BOARD

Executive Limitations

The CEO/General Manager shall not permit the Board to be uninformed or unsupported in its work.

Accordingly, he or she shall not:

1. Neglect to submit monitoring data required by the Board (see policy on monitoring CEO/General Manager performance) in a timely, accurate, and understandable fashion, directly addressing provisions of Board policies being monitored.

2. Let the Board be unaware of substantial exposure, anticipated adverse media coverage, material external and internal changes, and particularly changes in the assumptions upon which any Board policy has previously been established.

3. Fail to advise the Board if, in the CEO/General Manager's opinion, the Board does not comply with its own policies on governance process and Board-CEO/General Manager linkage, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the CEO/General Manager.

4. Fail to marshal for the Board as many employees and external points of view, issues and options as needed for fully informed Board choices.

5. Present information in unnecessarily complex or lengthy form or in a form that fails to differentiate among information of three types: monitoring, decision preparation and incidental.

6. Fail to provide a mechanism for official Board communications.

7. Fail to deal with the Board as a whole when fulfilling individual requests for information.

8. Fail to report in a timely manner an actual or material noncompliance with any policy of the Board.

9. Fail to ensure that information provided to board members for policy decisions is provided to all board members.

10. Fail to ensure that items placed on the Board's agenda (except Consent Agenda items) fully reference all associated Board policies.