

SMUD BOARD POLICY

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| Category: Board-Staff Linkage | Title: Delegation to the Chief Executive Officer and General Manager |
| | Policy Number: BL-7 |
| Date of Adoption: December 19, 2002 | Resolution No. 02-12-14 |
| Revision: October 16, 2003 | Resolution No. 03-10-14 |
| Revision: November 3, 2005 | Resolution No. 05-11-02 |
| Revision: December 6, 2007 | Resolution No. 07-12-03 |
| Revision: November 19, 2009 | Resolution No. 09-11-06 |
| Revision: August 21, 2014 | Resolution No. 14-08-03 |
| Revision: August 20, 2015 | Resolution No. 15-08-06 |

The Board will instruct the Chief Executive Officer and General Manager through written policies that define the results that the organization is to achieve, and which describe the delegation of authority to the Chief Executive Officer and General Manager.

Specifically:

- a) The Board shall identify and define those results or conditions of SMUD that are acceptable and not acceptable to the Board and communicate them in the form of policy.
- b) The Board shall develop policies that define the delegation to the Chief Executive Officer and General Manager with regard to the Chief Executive Officer and General Manager's authority.
- c) The Chief Executive Officer and General Manager is authorized to establish all further policies, make all decisions, take all actions, establish all practices, and develop all activities related to the operations or business affairs of SMUD.

- d) The Chief Executive Officer and General Manager shall use prudent judgment in the exercise of the delegations and in a manner that is operationally and economically sound, serves the best interests of SMUD's customers and the community, comports with prudent business practices, balances the risks and benefits of the actions, and does not expose SMUD to unreasonable risk. If the Chief Executive Officer and General Manager reasonably determines that an activity related to the delegations presents, regardless of the size of the financial commitment: (i) a unique and significant operational risk to SMUD; (ii) a significant impact to customers; (iii) a significant impact to community relations; (iv) a significant impact to SMUD's reputation; or (v) materially compromises the policies and goals established by the Board, the Chief Executive Officer and General Manager shall timely inform the Board and may request the Board to take appropriate actions.

- e) The Board may change its delegation to the Chief Executive Officer and General Manager at any time, subject to the conditions of the Board's contract with the Chief Executive Officer and General Manager, thereby expanding or limiting the authority of the Chief Executive Officer and General Manager. But as long as any particular delegation is in place, the Board will abide by the Chief Executive Officer and General Manager's decisions in those areas that are delegated to him or her.

Monitoring Method: Board Report
Frequency: Annual