

Policy on the Process for Determining Compensation Northwest Hydroelectric Association

This Policy on the Process for Determining Compensation of the Northwest Hydroelectric Association applies to the compensation of the following persons employed by the Association:

The Association's **chief employed executive**
Other **Officers** or **Key Employees** of the Association

The process includes all of these elements: (1) review and approval by the board of directors or compensation committee of the Association; (2) use of data as to comparable compensation; and (3) contemporaneous documentation and recordkeeping.

Review and approval. The compensation of the person is reviewed and approved by the board of directors or compensation committee of the Association, provided that persons with conflicts of interest with respect to the compensation arrangement at issue are not involved in this review and approval.

Data use as to comparable compensation. The compensation of the person is reviewed and approved using data as to comparable compensation for similarly qualified persons in functionally comparable positions at similarly situated Associations.

Contemporaneous documentation and recordkeeping. There is contemporaneous documentation and recordkeeping with respect to the deliberations and decisions regarding the compensation arrangement.

Definitions:

Chief employed executive — The CEO (i.e., Chief Executive Officer), executive director, or top management official (i.e., a person who has ultimate responsibility for implementing the decisions of the Association's governing body or for supervising the management, administration, or operations of the Association).

Officer — A person elected or appointed to manage the Association's daily operations, such as a president, vice-president, secretary or treasurer. The officers of the Association are determined by reference to its organizing document, bylaws, or resolutions of its governing body, or as otherwise designated consistent with state law, but at a minimum include those officers required by applicable state law. Include as officers the Association's top management official and top financial official (the person who has ultimate responsibility for managing the Association's finances).

Key Employee — An employee of the Association who meets all three of the following tests: (a) \$150,000 Test: receives reportable compensation from the Association and all related Associations in excess of \$150,000 for the year; (b) Responsibility Test: the employee: (i) has responsibility, powers, or influence over the Association as a whole that is similar to those of officers, directors, or trustees; (ii) manages a discrete segment or activity of the Association that represents 10% or more of the activities, assets, income, or expenses of the Association, as compared to the Association as a whole; or (iii) has or shares authority to control or determine 10% or more of the Association's capital expenditures, operating budget, or compensation for employees; and (c) Top 20 Test: is one of the 20 employees (that satisfy the \$150,000 Test and Responsibility Test) with the highest reportable compensation from the Association and related

Associations for the year.