

WELLS RURAL ELECTRIC COMPANY

Adopted: March 1976

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POLICY NO. 5-1

KEY PERFORMANCE AREAS AND KEY INDICATORS

I. OBJECTIVES

To establish guidelines for the reporting of key performance areas and key indicators to the board of directors.

II. KEY INDICATORS

Following is a list of the key performance areas and key indicators. They are grouped together by the type of indicator and by the period for their required reporting to the board of directors.

A. Financial Condition is reported monthly and bi-annually in the budget.

1. Equity Ratio.
2. Modified TIER.
3. Modified DSC.
4. Rate of return on rate base.
5. Long-term debt as percent of total assets.
6. Current Ratio.

B. Financial Condition reported bi-annually in the budget.

1. Margin compared to forecast.
2. Relation of controllable expenses to total forecast.
3. Reserve compared to financial plans as stated in policy.
4. Annual work progress.
5. Annual margins per KWH sold.

- C. Power Supply reported monthly and bi-annually in the budget.
 - 1. Cost of purchased and generated power.
- D. Power Supply reported at least once annually or as needed.
 - 1. Adequacy of supply.
 - 2. Voltage regulation compared to standard.
- E. Operating Ratios reported monthly.
 - 1. Trends in delinquent accounts receivable.
 - 2. Interest income on investments.
 - 3. Service interruptions per consumer by cause.
 - 4. Rate of inventory turnover.
- F. Operating Ratios reported at least once annually or as needed.
 - 1. Annual load factor.
 - 2. Unaccounted for KWH (line loss).
 - 3. Uncollectible accounts receivable.
- G. Consumer Ratios reported monthly.
 - 1. Net new members for the current month.
 - 2. Net new members for the past twelve (12) months.
 - 3. Net new members for the current year to date.
 - 4. Number of active accounts for each revenue class.
 - 5. Year to date KWH sold for each revenue class.
 - 6. Year to date electric revenue for each revenue class.
- H. Employee Ratios reported bi-annually in budget.
 - 1. Capitalized payroll as a percent of total payroll.
- I. Member Relations Ratios reported yearly.

1. Number and nature of comments and complaints.
2. Number of presentations given.
3. Number of member contacts made and list of comments received.
4. Number of programs presented.

G. Trending Ratios reported monthly.

1. Average annual growth in:
Consumers
KWH Sales
Revenue
2. Total cost of electric service:
Per kwh sold (unit cost)
As percent of revenue
Per kwh sold less industrial revenue and costs

III. KEY PERFORMANCE AREAS

A. Employee Development and Relations:

1. Soundness of organization through annual review of:
Organizational Chart
Position Descriptions
Wage and Salary Plan and Policy
Performance Appraisal
2. Regularly scheduled and planned employee meetings.
3. Analysis of employee attitude and morale.
4. Accidents and time lost.

B. Public and Government Relations:

1. Participation in community and civic affairs.
2. Relations with state legislature, members of Congress and governmental agencies.

C. Chief Executive Officer Performance and Development:

1. Attendance at and results of management institutes, seminars and workshops.
 2. Acceptance and performance of delegation.
 3. Participation in and contribution to company plans, programs, and policies.
 4. Development of programs for subordinates.
 5. Adequacy of policy formulation, application and audit.
- D. Community and Area Development:
1. Efforts made to attract new industry or commercial installations.
 2. Leadership by company personnel in development programs.
- E. Diversification/New Business
1. Efforts to investigate feasibility of new business or opportunities.

IV. RESPONSIBILITY

It shall be the responsibility of the chief executive officer, together with the department heads, to provide the necessary reports on key indicators and key performance areas to the board of directors on a timely basis.