

WELLS RURAL ELECTRIC COMPANY

Adopted: March 1976

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July 12, 2016

POLICY NO. 7-2

EMPLOYMENT PRACTICES

I. OBJECTIVE

The Board of Directors of the Wells Rural Electric Company recognizes that to achieve the objectives and goals of the Company, it must maintain a staff of efficient, loyal and well-trained employees, who are aware of and interested in the welfare of the Company. With this in mind, it establishes the following employment practices.

- A. To establish clearly defined employment practices, which consider the welfare and security for employees as well as the Company.
- B. To provide for the Board of Directors an understanding and assurance Company's employees will be treated fairly and uniformly.
- C. To help the Company's management carry out these intentions by providing a fair, controlled and predetermined basis for the settlement of employee questions and complaints.

II. ORGANIZATION

- A. The Board of Directors shall retain a Chief Executive Officer, and delegate authority and responsibility to him/her for conducting the operations of the Company within the limits of approved policies, programs, budgets and approved controls.
- B. The Chief Executive Officer shall establish departments and groupings of personnel which are consistent with the policy and which will most effectively and efficiently achieve the Company's objectives and strategic goals.
- C. The Board of Directors delegates to the Chief Executive Officer the authority to employ, discharge, transfer, promote, demote and discipline all employees subject to and not conflicting with other policies or contractual agreements.
- D. In the case of any conflicting language between contractual agreements and Company policy the contractual agreement language will prevail.

### III. CONDITIONS OF EMPLOYMENT

#### A. Pre-employment and Continuing Work Physicals

1. Pre-employment physical examination forms must be completed and certified prior to employment. This examination will be conducted at a medical facility authorized by the Company and at the Company's expense. The Company requires all employees be tested for drug use as part of the pre-employment physical examination
2. A background check must be completed and certified prior to employment. This examination will be conducted by a qualified company, authorized by the Company and at the Company's expense.

#### B. Work Period and Working Hours

1. The normal workweek for all regular fulltime employees is designated as 40 hours and the normal workday is 8 hours. All additional hours worked during the week shall be considered overtime. Overtime shall be paid to all non-exempt employees at a rate at 1½ times the base pay for all work performed outside of the regularly established work week. The previous provisions apply to all personnel who are not classified by the National Labor Relations Board definitions as executive, administrative, supervisory or confidential employees.

The established workweek is from Saturday midnight to Saturday midnight. The normal workweek shall consist of five workdays of eight hours each and shall begin Monday and run through Friday. The normal clerical unit workday shall be from 8:00 a.m. to 5:00 pm, with a one-hour lunch period or 7:00 a.m. to 4:00 p.m. with a one-hour lunch period. Flex-time is available to exempt employees when scheduled in advance and approved by their supervisor.

#### C. Employee Classification

1. Regular Full Time Employee
2. Regular Part Time Employee
3. Probationary Employee
4. Seasonal Employee
5. Internship Employee

#### D. Holidays

1. All probationary and regular full-time employees are entitled to ten paid holidays during each calendar year. To be eligible for pay on holidays, a probationary and regular full-time employee must work the regularly

scheduled workday before and after the holiday or have taken sick leave or vacation on those days. The holidays consist of:

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|---------------------|------------------------------|
| a. New Year's Day   | e. Nevada Day                |
| b. Presidents Day   | f. Thanksgiving Day          |
| c. Memorial Day     | f. Friday after Thanksgiving |
| c. Independence Day | g. Christmas Day             |
| d. Labor Day        | h. Personal Floating Day     |

2. If the holiday falls on Sunday, the Monday following shall be observed as the holiday. If the holiday falls on Saturday, the preceding Friday shall be observed as the holiday. The New Year's Day will be observed in the new year.

E. Probation, Termination and Grievances

1. Persons hired by the Company are considered probationary employees during the first 12 months of employment. The Company reserves the right to dismiss probationary employees at any time without cause.
2. The employer may discharge any employee if his/her work is not satisfactory, but the employee shall have first been given at least one (1) written warning notice. This provision will be applied in all cases except when the employer determines the basis of discharge is a result of recklessness, dishonesty, being under the influence of intoxicants or drugs during regular working hours, refusal to perform required work for which he/she is qualified, or negligence resulting in more than minor damage to employer's property or equipment, or negligence which threatens the safety of himself/herself or others. Warning notices shall be effective for twelve (12) months from date of issue.
3. In addition to the disciplinary action of discharge as set forth herein, the employer may in lieu of discharge, reprimand, demote, and/or suspend an employee with or without pay for such period of time as the employer deems appropriate, provided, however, suspension may not exceed 30 days.
4. In the event an employee believes himself/herself unfairly treated, it shall be his/her duty to take his/her grievance to his/her immediate supervisor. If it is not satisfactorily answered, it shall be his/her duty to request from his/her immediate supervisor a conference with the department head or Chief Executive Officer. As a final step, a non-union employee may request a hearing with the Board of Directors.

F. General Working Rules

1. The Company provides its employees with the proper tools and safety equipment and expects each of them to keep his/her personal tools in first class condition.
2. Safety and protection equipment shall be kept in first class condition and each employee will be required to follow the safety rules of the Company. Refusal or failure to comply with such rules shall be a cause for dismissal.
3. The Company expects that employees will create their work with confidence and respect, and will execute every job in an efficient manner, exerting all the energy and tact required to complete the job properly.
4. Employees will report for the day's work at regularly designated places, which will usually be the Company's office, warehouse or outpost stations. Daily work shall begin and end at these places, and transportation time to jobs in the field will be included in the work time.

G. Vacations

1. Vacations shall be considered as a rest period and employees are encouraged to take their vacations as a break in the yearly routine. However, in the event an employee is unable to take his/her vacation due to work needs, he/she will be allowed to defer up to five (5) days to the following year with notice to the immediate supervisor or general foreman.
2. Employees hired before 1/1/09 will be entitled to accrue vacation time at the beginning of their employment at the rate of one and one-quarter days (1 ¼) per month to be taken during the next calendar year. Employees hired after 1/1/09 will be entitled to accrue vacation time at the beginning of their employment at the rate of 6.67 hours per month (10 days per year) to be taken during the next calendar year. Employees will not be credited with accrued vacation until after successful completion of the specified "probationary period".
3. January 1, of each year, the employee will receive credit for vacation days accrued in the previous year to be taken from January 1 to December 31 of that same year. Each successive January, the employee will receive credit for vacation accrued in the previous year to be taken during the same year.
4. a. Employees hired before 1/1/09: After ten (10) continuous years of employment, employees will accrue 1 and 2/3 days per month (20 days/year). After twenty (20) continuous years of employment, employees will accrue one additional day for each year over twenty (20) years, up to a

maximum of 30 days.

b. Employees hired after 1/1/09: After five (5) continuous years of employment, employees will accrue 1 and  $\frac{1}{4}$  days per month (15 days/year). After 10 (10) continuous years of employment, employees will accrue 1 and  $\frac{2}{3}$  days per month (20 days/year). After twenty (20) continuous years of employment, employees hired before 1/1/09 will accrue one additional day for each year over twenty (20) years, up to a maximum of 30 days.

5. For purposes of vacation accrual, only persons coming to work at Wells Rural Electric Company between the first and fifteenth of any month will be considered employed on the first of the month. Persons coming to work between the sixteenth and the end of the month will be considered employed on the first of the following month.

#### H. Pay Periods

There will be two pay periods per month: from the first through the 15th and from the 16th through the last day of each month.

#### I. Sick Leave

All regular and full-time employees shall be entitled to sick leave with pay and shall be allowed for employee's spouse and dependents living at home.

Sick leave shall be accrued at the rate of 5  $\frac{1}{3}$  hours per month per calendar year. Sick leave shall be accrued for newly hired employees during their probationary period, but these employees shall not be entitled to use sick leave until they have completed their probationary period.

Absence due to sickness must be reported to the department head or his/her representative prior to the start of regular work hours, if possible. Persons claiming sick leave may be required to substantiate such claim by a statement of fact and doctor's certificate acceptable to Company before sick leave allowance is granted.

Employees who retire under the Company's retirement plan shall be paid for all unused sick leave time. The rate of pay for unused sick leave time will be at the employee's current rate of pay.

Beginning on January 1, 1989, all unused sick leave accumulated during the current calendar quarter will be paid to the employee at his/her present rate of pay, provided the employee has accumulated a bank of 120 hours (15 days). The payments for the first, second, third and fourth quarters will be included on the payroll checks for the payroll periods ending on 4/15, 7/15, 10/15, and 12/31, concurrently.

J. Leave with Pay

1. Funeral Leave. Employees of the Company shall be permitted to attend the funeral of a member of their immediate family and to serve as pallbearers or take part in the burial rites of funerals of others without deduction of pay, upon prior approval by the Chief Executive Officer. The Chief Executive Officer is authorized to grant time under this policy. In no instance shall more than one day with pay be allowed for taking part in funeral rites of one not a member of their immediate family, nor more than three days with pay shall be allowed for attending the funeral of a member of their immediate family. Any other special consideration shall be at the discretion of the Chief Executive Officer.
2. Other Leave with Pay. The Company grants employees leave with pay if necessary to go to local polls to vote in any municipal, school, county, state or national election. Whenever election, jury or other mandatory court duties require a regular employee to be absent from work, the Company shall pay the employee the difference between the sum received for such duties and his base salary for the period. Employees are encouraged to assume appropriate civic responsibilities and will be granted leave with pay, when necessary, to perform duties related, thereto, when approved by the Chief Executive Officer.

K. Leave Without Pay

1. The supervisor may grant an employee time off without pay. This will be done at the employee's request as long as it does not disrupt Company activity and is in the best interest of the employee and the Company.
2. An authorized leave of absence may be granted to employees who enter the Armed Forces of the United States, provided, however, that all such leave of absence and the reinstatement of any such employee shall be subject to the terms of any Act of Congress which provides for re-employment.

L. Safety Meetings

The Company shall hold safety meetings approximately one per month during regular working hours for giving safety instructions to its employees in the outside facilities unit. Such meetings shall be held more frequently if necessary.

M. Employee Insurance Plan

1. The Company shall pay 90% of the premium for a voluntary group medical plan offered by NRECA with the employee paying 10% if he/she elects to be covered by the medical insurance.

2. The first dollars deducted will apply to long-term disability on an after tax basis. The next dollars will be applied to short-term disability on an after tax basis.
3. Any remaining amount will be applied toward the medical premium on a before tax basis. The Company shall also provide basic life insurance, supplemental life, dental insurance, vision insurance and accident insurance.
4. Employees hired prior to January 1, 2006 who retire under the Company's retirement plan shall have 100% of his/her medical, prescription drug, dental and vision insurance paid for by the Company for the life of the employee and spouse. This provision will be subject to the agreement dated prior to April 30, 2014 between the employee and the Company.

N. Retirement and Savings Plans

1. The Company maintains for its regular full-time employees a NRECA Retirement Plan and 401k Savings Plan which are available after the employee has satisfied the prescribed waiting period of the plan. The Retirement Plan shall be a non-contributory plan for all employees.
2. Employees hired before January 1, 2012 Retirement Plan has Uniform Benefit of 1/7% of the Participant's Final Average Salary calculated by NRECA. Employees hired after January 1, 2012 Retirement Plan has Uniform Benefit of 0.5% of the Participant's Final Average Salary, calculated by NRECA.
3. For Employees hired before January 1, 2012 the Company shall contribute 1% of the employee's base salary to the 401k Savings Plan after the employee has satisfied the prescribed waiting period of the Plan. For Employee's hired after January 1, 2012 the Company shall contribute 6% of the employee's base salary to the 401k Savings Plan, and will match an additional 4% after the employee has satisfied the prescribed waiting period of the Plan.
4. All employees are urged to consult with the Benefit Administrator about the retirement and insurance programs available.

O. Physicals

1. The Company provides at its expense a voluntary physical examination with related tests (examination for employees and their spouses (participant)). If a participant avails him or her-self of this benefit, it shall be pursuant to the terms below.

2. The participant will notify the Company of their intent to have an examination. The Company will approve the examination in advance and will arrange direct payment to the provider.
3. An employee is eligible for an examination under this policy every two (2) years. An employee's spouse is eligible for an examination, under this policy every three (3) years.
4. The Company will pay only actual costs of the examination, but under no circumstance will the maximum cost paid by the Company for this benefit exceed \$600.00 per exam.
5. The Company will offer a paid health screening yearly for employee retirees and their spouses. The participant can choose what physician they would like to see. The physician can either bill WREC or WREC will reimburse the participant for the cost of the health screening.
6. The Company will pay for one screening per year for an employee, retiree and their spouse.

P. Retirement Age

1. Employees will be eligible to retire under the Company's Retirement Plan at the earlier of completing 30 years of participation in the NRECA Retirement Plan or attainment of age 62.

Q. Company Vehicles

1. Transportation while on Company business will be in Company vehicles whenever possible and practical. The use of personal vehicles is subject to management approval. When such vehicles are used, a standard mileage rate of IRS allowance will be paid by the Company based on daily work and mileage reports.
2. There shall be no personal use of the Company's motor vehicles except as noted below by either an employee or by an individual whose use would be taxable to the employee such as minimal, incidental personal use during the periods of business use.
3. When motor vehicles in use in the conduct of the Company's business, they shall be located in the Company's business premises, or where the employee reports for work with the Company, unless temporarily located otherwise for maintenance or repair.



4. The Company may allow limited personal use for commuting certain key employees, where the Chief Executive Officer shall determine that it is in the best interest and for the convenience of the Company for those key employees to have prompt access to a Company vehicle. For those key employees who utilize a company vehicle for limited commuter use, such use shall be considered a taxable fringe benefit. The value of the fringe benefit shall be calculated in accordance with current IRS regulations; the taxable amount will be withheld from the employee's wage and salary compensation on a regular basis, and will be reported to the IRS on the employee's annual W-2 form.
5. In lieu of Company provided transportation, a vehicle allowance may be provided. Only certain employees such as the Chief Executive Officer or other key employees approved by the Chief Executive Officer would be eligible for the allowance. The Chief Executive Officer allowance will be set by the Board of Director and will be subject to all taxable requirements. In the best interest of the Company, a lesser amount of vehicle allowance can be offered to key employees. No one is required to take the allowance.
6. Due to the nature of the Company's electric service area, and to the limited number of on-call employees, and due to the fact that to fulfill the responsibilities of line crew foreman or lineman, with regard to after normal working hour emergencies, line superintendent, the line crew foreman or lineman as a condition of employment for the convenience of the company, must have access to a company-owned radio-equipped motor vehicle at all times and therefore is not subject to the fringe benefit provision of paragraph 4 above.
7. Each employee shall possess a valid driver's license that will enable him/her to perform duties of his/her respective job as described in the Company's position description. Failure of an employee to have or maintain the appropriate valid driver's license may result in the termination of that employee.

R. Employee Loans

1. Employees may request to receive a loan from Wells Rural Electric Company under the following conditions.
  - a. All loans must be approved by the Chief Executive Officer in advance.
  - b. The amount of the loan will not exceed \$200.00.
  - c. Each employee will be limited to one loan during each calendar year

regardless of the amount.

- d. All loan payments will be deducted from the employee's payroll check over a period not to exceed four months. The initial payment will be deducted from the first payroll check subsequent to the date of the loan.
- e. Any unpaid balance on a loan will be deducted from the employee's final payroll check if the employee terminates employment for any reason.

S. Working Conditions

1. Smoking shall be prohibited except in designated areas as determined by management.

T. Hiring Practices

All vacancies shall be filled by first making regular full-time employees aware of the vacant position. Wells Rural Electric will endeavor to hire locally when qualified personnel are available and throughout the Region IX area when necessary. At all times, the most qualified applicant, in management's opinion, will be given the opportunity for employment consistent with EEOC (Equal Employment Opportunity Commission) guidelines and other Conditions of Employment under Policy 7-2 III A.

U. Employee Purchases

1. Employees will be allowed to purchase items, which are common in daily practices through the Company at cost.
2. Arrangement for payment of such items may be made through payroll deductions.
3. Employee Miscellaneous Accounts Receivable balance may not exceed \$3,000.00 at any point in time.
4. Payment amounts will be set at a minimum to collect the balance over a 24-month period.
5. Interest rate of 9% will be added.
6. Any unpaid balance on any employee accounts receivable will be deducted from the employee's final check, retirement checks or any form of final payment, if the employee terminates employment for any reason.

IV. RESPONSIBILITY

It shall be the responsibility of the Chief Executive Officer, together with the department heads, to administer this policy. The Chief Executive Officer is to report annually to the Board of Directors upon the effectiveness of the policy.