

**HTML contains invalid UTF-8 character(s)****MINUTES OF THE REGULAR BOARD MEETING OF THE BOARD OF DIRECTORS OF  
WELLS RURAL ELECTRIC COMPANY****August 17, 2001**

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in Wendover, Nevada in the Boardroom of the Wendover office and called to order Friday, August 17, 2001 at 9:00 am. The meeting was presided over by President D. Vernon Dalton.

Directors present were: Gerald Anderson, D. Vernon Dalton, Daryl Eriksen, Robert Harris, Orlin Kidner, Lois Nannini, Paul Neff, Jerry Parkin, Vernon Scott, Howard Wright and Mary A. Wright.

Staff members present were Clay R. Fitch, Chief Executive Officer. Also present was Amanda Moffitt, Executive Secretary. Mr. Robert O. Vaughan, Attorney and Don Angell, Consultant attended portions of the meeting.

**ACTION ITEMS:****APPROVAL OF MINUTES:**

The minutes of the regular meeting of July 17, 2001 were approved as corrected.

Page 2 **[[#150]]** Wells Rural Electric**[[#146]]**s Next Dollar Foundation will be changed to "Wells Rural Electric Next Dollar Foundation".

Page 3 **[[#150]]** (a) will be changed from; Those voting are members of record on the effective date to "Those voting are members of record on the effective date of the resolutions of the Board that:"

Page 3 **[[#150]]** Article IV **[[#150]]** Robert Anderson will be changed to "Robert Harris".

Page 4 **[[#150]]** motion will be changed from MOTION PASSED WITH A UNANIMOUS VOTE OF SEVEN IN FAVOR AND THREE OPPOSED to "MOTION PASSED WITH A VOTE OF SEVEN IN FAVOR AND THREE OPPOSED."

**ADDITIONS TO AGENDA:**

There were no objections to add the following:

- Letter of Engagement from auditors
- Voting Delegates

**SAFETY FIRST VERSE:**

Every injury costs suffering, DO NOT become a victim; avoid injuries. Think safety all day every day.

**PRESENTATIONS:**

ECO Update **[[#150]]** Dan Kessler of ECO updated the board on ECO**[[#146]]**s fuel cells. He reported the fuel cells are through the alpha testing stage and are now in the beta testing period, where they have experienced complications. He is predicting ECO will be marketing fuel cells mid 2002.

Youth Energy Seminar **[[#150]]** Alex Andrae, Brandon Brodsho and Erika Fitch reported on the Nevada Youth Energy Seminar and April Durnham, Brittany Smith, Heather Stewart and Camille Reilly reported on the Utah Youth Energy Seminar.

POWER SUPPLY - Don Angell reported on the following topics: BPA Rate Case, Newmont Issues, Wendover Power Factor, Nevada Issues, Federal Restructuring, and California Issues.

A lunch recess was called at 12:00 noon. The meeting was called back to order at 1:00 pm.

ACTION ITEM REPORT:

Letter of Engagement **[[#150]]** IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY ROBERT HARRIS AND PASSED UNANIMOUSLY TO APPROVE ACCEPTING THE LETTER OF ENGAGEMENT FROM BOLINGER, SEGARS, GILBERT AND MOSS, LTD. TO PERFORM THE 2001 AUDIT FOR \$25,000 - \$27,000.

Voting Delegates **[[#150]]** The following are voting delegates and alternates for:

- Region IX Gerald Anderson, voting delegate Paul Neff, alternate
- NRECA Gerald Anderson, voting delegate Paul Neff, alternate
- CFC Orlin Kidner, voting delegate Gerald Anderson, alternate
- NRTC Paul Neff, voting delegate Mary Wright, alternate

Director Election Ballot **[[#150]]** IT WAS ON MOTION BY JERRY PARKIN, SECONDED BY HOWARD WRIGHT TO ACCEPT THE BALLOT AS PRESENTED.

A question was raised and discussion held as to why the ballot did not include "incumbent" next to the director name as in previous elections. It was verified that "incumbent" was included on the biography sheet of previous elections.

MOTION TABLED FOR FURTHER INFORMATION.

The next matter to come before the meeting concerned the amendment of subparagraph (a) of Article II, Section 5, Subsection 3 of the By-laws of the corporation. It was noted that there was error in the amendment of said subparagraph during the July meeting of the board, and further that general counsel has recommended a revised wording of a portion of the subsection. After a discussion and consideration, IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY GERALD ANDERSON AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION.

RESOLVED that subparagraph (a) of Article II, Section 5, subsection 3 of the By-laws of the corporation be amended to read and provide as follows:

"(a) The members of the corporation entitled to consent to or oppose proposed amendments to the Articles of Incorporation are those members of record on the effective date of the resolutions of the Board of Directors that: (1) sets forth the amendments proposed; (2) declares the advisability of the amendments; and, (3) provides that the approval of the amendments will be sought through written consent of the members

The next matter to come before the meeting was to continue the process of amendments to the Articles of Incorporation and to verify changes that had been passed at the meeting of July 20, 2001. The amendments had been under consideration for a number of months and the directors were familiar with

the proposals. The Board had received recommendations and wording of the amendments from General Counsel. A form of the proposed amendments had been presented to the Board whereby the deletions were words that were stricken and the additions were words in *italics*. That the decision made to approve certain amendments at the meeting

of July 20, 2001, were based upon a draft of the total proposed Articles of Incorporation wherein deletions were words shown stricken and additions were words in *italics*.

After due consideration, IT WAS ON MOTION BY ROBERT HARRIS, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTIONS:

RESOLVED that a copy of the Articles in total including deletions and additions that were under consideration and acted upon at the July 20, 2001 meeting be attached to the minutes of the meeting of July 20, 2001.

BE IT FURTHER RESOLVED that the changes indicated to Articles IV, VI, VII, VIII, IX, XI, XII, XIII and XVI were adopted and approved at the meeting of July 20, 2001, subject to consent by a majority of the members.

BE IT FURTHER RESOLVED that the following amendments to Article II of the Articles of Incorporation are adopted and approved, subject to consent by a majority of the members of the corporation. The amendments being as follows with deletions being shown as stricken and additions are in *italics*:

## "ARTICLE II

### NON-PROFIT OPERATIONS

The corporation is *organized on a non-profit cooperative basis and shall operate as follows: ~~one which does not contemplate pecuniary gain or profit to the members hereof and is organized for non-profit purposes.~~*

No dividends or profits shall be declared or paid to the members, *other patrons or customers. ~~Save and except nothing herein contained shall prohibit, and Notwithstanding the Board of Directors is specifically authorized to have the Corporation account to, and within the discretion of the Board to pay capital credits, on a patronage basis to its members, and in its discretion, other patrons and customers. all amounts received and receivable from said patrons and customers in excess of operating costs and expenses properly chargeable against the furnishing of electric power and energy, sales and services. Capital credits shall be calculated on the basis of the amounts received~~*

*and receivable from said members, other patrons and customers in excess of product costs, operating costs, and expenses properly chargeable against the sale and furnishing of energy, service and other like-kind activities that may include the sale of products, commodities, and equipment and providing maintenance, service and activities as allowed under Section 501(c) (12) of the Internal Revenue Service.*

*B. To determine what sales and services have, and to what extent, generated capital credit receipts from the members and/or other patrons and customers in*

*excess of product costs, operating costs and expenses properly chargeable against particular sales or services, there shall be maintained:*

*Separate accounts for each type of sale and each type of service;*

*Records of the amount received from each member and/or patrons and customers as to each type of sale or service;*

*Only members, other patrons and customers who pay sums for a particular type of sale or type of service shall receive capital credits from such particular type of sale or service; and*

*Whether or not there are generated capital credits as to any particular type of service or type of sale shall be determined on the basis of income and expense of that particular type of service or type of sale."*

BE IT FURTHER RESOLVED that all of the amendments II, IV, VII, VIII, IX, XI, XII, XIII and XVI be proposed to the members for their consent and the Board hereby declares the advisability of the amendments.

BE IT FURTHER RESOLVED that the corporation seek the approval of the members by consent without a meeting.

BE IT FURTHER RESOLVED that the amendments to each of the above named Articles be presented in a manner that each member, as to each proposed Article to be amended, can consent to or oppose the same.

BE IT FURTHER RESOLVED that in soliciting consents to the amendments the members be provided with (a) complete set of the Articles of Incorporation showing proposed deletions and additions, (b) a set of instructions as to how they may consent or oppose to each proposed article amendment; and (c) a document providing a brief explanation of the amendments an on which they may indicate their consent or their opposition to each proposed amendment.

BE IT FURTHER RESOLVED that the consents may be obtained by giving the members an opportunity to consent or oppose each particular Article amendment: (a) at the location and time of the annual meeting; (b) by voting and returning ballots mailed to the members; or, (c) by voting ballots provided by representatives of the corporation soliciting members to vote and return ballots; (d) The corporation may offer an incentive of a credit to members **[[#146]]** power bill to those members who vote and return their ballots, regardless of the way they may vote. Members may vote only one ballot.

BE IT FURTHER RESOLVED that these resolutions become effective on the 10<sup>th</sup> day of September 2001.

The board discussed how to proceed with the Articles. It was the consensus of the board that Clay gets proposals from consultants on how to handle the Amendments to the Articles. The board agreed to hold a special board meeting on Friday, September 7, 2001 at 9:00 am in the Wells office to discuss a plan for the Articles.

Director Election Ballot **[[#150]]** JERRY PARKIN RESCINDED HIS PREVIOUS MOTION TO APPROVE THE BALLOT. HOWARD WRIGHT WITHDREW HIS SECOND.

A discussion ensued. Clay informed the board that a label could be put on the back of the mailing envelope informing the members of the enclosed ballot and the list of persons running, with "incumbent" after the directors names. IT WAS ON MOTION BY ROBERT HARRIS, SECONDED BY DARYL ERIKSEN AND PASSED UNANIMOUSLY TO APPROVE THE DIRECTOR ELECTION BALLOT AS PRESENTED.

CEO Evaluation: An executive session was held.

Cost of Service Study: The board reviewed information handed out and discussed a 12% rate increase. Clay explained the differences in rate cases and increases for each. Clay also presented the board with the three stages WREC has gone through to reduce costs.

SAFETY MINUTES: IT WAS ON MOTION BY VERNON SCOTT, SECONDED BY GERALD ANDERSON AND PASSED UNANIMOUSLY TO APPROVE THE SAFETY MINUTES AS PRESENTED.

NEW MEMBERSHIPS: IT WAS ON MOTION BY VERNON SCOTT, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE 37 NEW MEMBERSHIPS AS REVIEWED: WELLS **[[#150]]** 2; CARLIN **[[#150]]** 10; WENDOVER, NV **[[#150]]** 18 AND WENDOVER, UT **[[#150]]** 7.

INFORMATIONAL ITEMS:

#### DEPARTMENT OR OTHER REPORTS

The following reports were included as information in the agenda:

- Strategic Plan
- Outage
- Finance and Administration
- Member Services
- Office Services
- Marketing and Diversified Services

#### BOARD REPORTS

It was agreed that the draft policies included with the agenda as information will be reviewed by the board and put on a regular meeting agenda.

#### CEO**[[#146]]**S REPORT:

The following reports were included in the agenda:

- Key Accounts

Clay reported meeting with the auditors to discuss capital credits for Newmont, Praxair and Graymont Inc. Additional information will be reported when available.

#### OTHER BUSINESS

There was no further business discussed.

EXECUTIVE SESSION

An executive session was held previously.

As there was no further information to discuss, the meeting was adjourned at 5:45 pm.

D. Vernon Dalton, President Lois Nannini, Secretary/Treasurer

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