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MINUTES OF THE REGULAR BOARD MEETING
OF THE BOARD OF DIRECTORS
OF
WELLS RURAL ELECTRIC COMPANY

August 16, 2002

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in Wells, Nevada in the Boardroom of the Wells office and called to order Friday, August 16, 2002 at 9:00 am. The meeting was presided over by President D. Vernon Dalton.

Directors present were: Gerald Anderson, D. Vernon Dalton, Scott Egbert, Orlin Kidner, Lois Nannini, Paul Neff, Jerry Parkin, S. J. Smith, Howard Wright and Mary Wright. Robert Harris was absent.

Staff member present was Clay R. Fitch, Chief Executive Officer. Also present was Amanda Moffitt, Executive Secretary.

ACTION ITEMS:APPROVAL OF MINUTES:

The minutes of the regular meeting of July 19, 2002 were approved as written.

ADDITIONS TO AGENDA:

There were no objections to add the following:

[[#183]] 4-H Livestock Sale

SAFETY FIRST VERSE: School is starting soon, drive with care.

ELECTION OF DIRECTORS: The next matter to come before the meeting involves the matter of the 2002 election of Directors. The By-law regulations and provisions relating to election of directors are contained in Article III, Section 10. Nomination and Election of Directors.

The factual matters to be considered relating to the 2002 election are as follows:

1. There were four (4) Directors to be elected;
2. Three (3) incumbent Directors and one (1) newly nominated member were properly nominated, being:
 - a. Director D. Vernon Dalton
 - b. Director Gerald V. (Jerry) Anderson
 - c. Director Lois Nannini; and
 - d. Ron Springsteel
3. An effort was made to nominate Michael W. Devine, however the nomination failed and was not effective based on several factors, including:
 - a. The nomination was not timely made, being made later than close of business hours on July 10th at any of the corporation offices;
 - b. The nominee was not personally a member of the corporation or the representative of any member of the corporation as his position was President and Chief Executive Officer of [[#147]]State Line/Silver Smith Casino0 Resorts[[#148]] which entity is not a member of the corporation.
 - c. The three (3) members who proposed nominee might have claimed to represent, being State Line Hotel, State Line Properties and State Line, Ltd., are all delinquent in their accounts for a period exceeding ninety (90) days; and
 - d. The biography did not comply with the by-law provisions.

Counsel advises that the proposed nomination of Michael W. Devine be rejected and

that the four nominated persons be declared by the Board to be elected to a full term of office.

Upon due consideration and upon the advice of counsel, **THE FOLLOWING RESOLUTIONS WERE, ON MOTION BY OLIN KIDNER, SECONDED BY GERALD ANDERSON AND PASSED UNANIMOUSLY AS FOLLOWS:**

RESOLVED: That the proposed nomination of Michael E> Devine be rejected as not being in compliance with the election procedures set out in Article VII, Section 10 of the By-Laws; and

BE IT FURTHER RESOLVED that the four (4) candidates nominated, being; Director D. Vernon Dalton, Director G. V. (Jerry) Anderson, Director Lois Nannini and Ron Springsteel are declared as elected to a full term of office, effective at the beginning of the meeting of the Board in the month of September 2002, pursuant to Article III, Section 10, paragraphs 8, 8a and 14.

ACTION ITEMS:

- A. Joe Aguirre, Elko County Assessor **[[#150]]** Mr. Aguirre talked with the board, asking for WREC**[[#146]]**s support in the county**[[#146]]**s land mapping project. A discussion followed. The board asked Clay to talk to Mr. Aguirre and find out if WREC were to contribute to the project, where the funds would be spent and when the project would be completed. A report and recommendation will be given at the September board meeting.
- B. 4-H Livestock Sale **[[#150]]** **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE PRESIDENT DALTON TO MAKE A PURCHASE AT THE 4-H LIVESTOCK SALE.**
- C. CEO Appraisal **[[#150]]** President Dalton reported receiving 7 of the eleven forms from the directors, 3 at this meeting, therefore could not compile the appraisal. President Dalton asked the board for their suggestions on how to conduct the appraisal on a timelier basis in the future.

An Executive Session was held to discuss the CEO Appraisal.

A break was taken from 10:35 am to 10:55 am.

- D. Audit Engagement Letter **[[#150]]** **IT WAS ON MOTION BY PAUL NEFF, SECONDED BY SCOTT EGBERT AND PASSED UNANIMOUSLY TO ACCEPT BOLINGER, SEGARS, GILBERT AND MOSS[[#146]]S LETTER OF ENGAGEMENT.**
- E. Policy 1-4, Board of Directors-CEO Relationship **[[#150]]** Policy 1-4 was reviewed and discussed, **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY MARY WRIGHT AND PASSED UNANIMOUSLY TO ACCEPT THE PROPOSED POLICY AS CHANGED.**

A discussion ensued; **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY SCOTT EGBERT AND PASSED UNANIMOUSLY TO AMEND THE MOTION TO CHANGE C-1 TO READ AS:**

[[#147]]Any Director is entitled to have access to Company data or information, at reasonable times during the business hours for a proper purpose that is germane as described in the Company**[[#146]]**s policies to his or her standing as a member or director.**[[#148]]**

Following further review and discussion, **IT WAS ON MOTION BY S. J. SMITH, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO AMEND THE MOTION TO CHANGE 3(g) TO**

READ AS:

[[#147]] Publicly support decisions of the board except in extraordinary circumstances where the director believes that there is clear and present threat, or incur substantial damage to the survival of the cooperative. [[#148]]

IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY MARY WRIGHT AND TO AMEND THE ORIGINAL MOTION, TO ACCEPT AND INCLUDE THE CHANGES TO POLICY 1-4. MOTION WAS PASSED UNANIMOUSLY.

- F. Strategy 6, Communication, Member Education and Demographics [[#150]] The board reviewed Strategy 6. Following a discussion, **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY HOWARD WRIGHT AND PASSED UNANIMOUSLY TO APPROVE STRATEGY 6, COMMUNICATION, MEMBER EDUCATION AND DEMOGRAPHICS AS PRESENTED.**

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

NEW MEMBERSHIPS: IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY SCOTT EGBERT AND PASSED UNANIMOUSLY TO APPROVE 61 NEW MEMBERSHIPS AS REVIEWED: WELLS [[#150]] 14; CARLIN [[#150]] 11; WENDOVER, NV [[#150]] 24 AND WENDOVER, UT [[#150]] 12.

A lunch recess was called at 12:00 noon. The meeting was called back to order at 1:30 pm. Scott Egbert was excused from the meeting.

INFORMATIONAL ITEMS:DEPARTMENT OR OTHER REPORTS

The following reports were included as information in the agenda:

- [[#183]] Outage
- [[#183]] Finance and Administration
- [[#183]] Member Services
- [[#183]] Office Services
- [[#183]] Diversified Services
- [[#183]] Marketing
- [[#183]] Information Services
- [[#183]] Operations
- [[#183]] Integrated Resources

POWER SUPPLY REPORT

This report was included in the agenda. A discussion was held.

BOARD REPORTS

It was reported that NWPPA is offering a 75% discount on three safety classes throughout September.

A report was made on the Co-op Campaign Academy held in Reno and Elko. Staff was commended for organizing the meetings.

A report was made on CFC [[#146]]s School on Financing.

CEO [[#146]]S REPORT

Clay handed out a draft bylaw from Bob Vaughan on [[#147]] Director Qualifications [[#148]]. This will be an agenda item at September [[#146]]s board meeting.

Tom Gould, Economic and Engineering Service [[#146]]s (EES) [[#150]] Clay reported Mr. Gould has

begun the Cost of Service Study. A report will be given following the completion of the study.

Christmas Party **[[#150]]** It was the consensus of the board to hold a Christmas Party in Wendover and to look into other facilities.

OTHER BUSINESS:

Mary Wright invited the board to hold the September meeting at Mary **[[#146]]**s River Ranch in Deeth. **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE HOLDING THE SEPTEMBER 11TH BOARD MEETING AT MARY **[[#146]]**S RIVER RANCH IN DEETH, NV AT THE REGULARLY SCHEDULED.**

EXECUTIVE SESSION:

An executive session was held. Following the executive meeting and CEO **[[#146]]**s appraisal, **IT WAS ON MOTION BY JERRY PARKIN, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE A SALARY INCREASE OF 86.1% OF \$10,000 FOR THE CEO.**

As there was no further information to discuss, the meeting was adjourned at 3:24 pm.

D. Vernon Dalton, President

Lois Nannini, Secretary/Treasurer

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