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

September 11, 2002

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in Deeth, Nevada at Mary[[#146]]s River Ranch and called to order Wednesday, September 11, 2002 at 10:35 am. The meeting was presided over by President D. Vernon Dalton.

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

Staff member present was Clay R. Fitch, Chief Executive Officer. Also present was Amanda Moffitt, Executive Secretary, Hank James, Mgr. Diversified Services, and Thad Ballard, Mgr. Communication and Economic Devel.

ACTION ITEMS:**APPROVAL OF MINUTES:**

The minutes of the regular meeting of August 16, 2002 were approved as written.

ADDITIONS TO AGENDA:

There were no objections to add the following:

[[#183]] Article VIII of the Bylaws

SAFETY FIRST VERSE: Hunting Season [[#150]] Whether a hunter, camper or day hiker, protect yourself and wear bright colored clothing to avoid being a target.

ACTION ITEMS:

- A. Election of Officers [[#150]] The board held an election of officers. The results are as follows: D. Vernon Dalton, President; Mary Wright, Vice President; Lois Nannini, Secretary/Treasurer; and Orlin Kidner and S. J. Smith as Alternate Secretaries.

President Dalton welcomed new director Ron Springsteel to the board. Mr. Springsteel replaces the director position of Robert Harris.

- B. Bylaws - The next business to come before the meeting involves the matter of amendment of ARTICLE VIII, of the Bylaws of the Corporation. The primary reason for the amendment is that the consolidated agreements of electric supply by and between WELLS RURAL ELECTRIC COMPANY and NEWMONT GOLD COMPANY (formerly CARLIN GOLD MINING COMPANY) (herein the "Agreement") is producing a result that is very unfair to the other consumers of WELLS RURAL ELECTRIC COMPANY and to the company itself. The matter has been submitted to General Counsel of the Company and to the Certified Public Accountants that prepare the tax returns and the annual financial reports of the Company.

General Counsel advises as follows:

1. With regard to a change in ARTICLE VIII relating to Capital Credits, ARTICLE XI, provides that the Board of Directors shall have power to make and adopt such policies, rules and regulations not inconsistent of the law, the Articles of Incorporation or the Bylaws as it may deem advisable for the management of the business and affairs of the Corporation.

2. That Paragraph 25 of the Agreement provides, among other things, that:

A. The parties hereto acknowledge that Consumer is a member of Seller, and Consumer agrees to be bound by the articles, by-laws, rules, regulations, and policies of Seller, as the same may be amended from time to time; and

B. Consumer understands and agrees that capital credits credited to the account of Consumer by Seller shall not be subject to retirement by Seller in the event of bankruptcy, dissolution, merger, or other termination of Consumer's corporate business existence, or discontinuance of business on the Project by Consumer, or termination or cancellation of this Agreement, but that such capital credits shall be subject to retirement only in accordance with policies of Seller concerning general retirement of capital credits; and

C. Seller reserves the right, within the discretion of Seller's Board of Directors, to amend its by-laws and policies relating to capital credits, including but not limited to provisions and terms of allocation, retirement and repayment, save and except Seller shall not adjust or revise the amount of accumulated capital credits allocated to Consumer prior to the effective date of this Agreement. (The Agreement became effective in October of 1994).

The Certified Public Accountants for the corporation have recommended a change in the provisions of the retirement of capital credits as hereinafter set out.

After due consideration of the matter, **IT WAS ON MOTION BY S.J. SMITH, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTIONS:**

RESOLVED ARTICLE VIII of the Bylaws of the Corporation be amended to provide as follows, to-wit:

ARTICLE VIII. COOPERATIVE NON-PROFIT OPERATION

Section 1. Interest or Dividends on Capital Prohibited. The Corporation shall at all times be operated on a cooperative non-profit basis for the mutual benefit of its members, and in the discretion of the Board, other patrons. No interest or dividends shall be paid or payable by the Corporation on any capital furnished by its members or other patrons.

Section 2. Patronage Capital in Connection with Furnishing Energy.

1. The Corporation does not serve energy to non-members. In the furnishing of energy or other utility type services the Corporation's operations shall be so conducted that all members will, through their patronage, furnish capital for the Corporation. In order to induce patronage and to assure that the Corporation will operate on a non-profit basis the Corporation is obliged to account on a patronage basis to all its members for all amounts received and receivable from the furnishing of energy or other utility type services in excess of operation costs and expenses properly chargeable against the furnishing of energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Corporation are received with the understanding that they are furnished by the members as capital. The Corporation is obligated to pay by credits to a capital account for each member all such amounts in excess of operating costs and expenses. The books and records of the Corporation shall be

set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each member is clearly reflected and credited in an appropriate record to the capital account of each member and the Corporation shall within a reasonable time after the close of the fiscal year notify each member of the amount of capital so credited to his account. All such amounts credited to the capital account of any member shall have the same status as though they had been paid to the member in cash in pursuance of a legal obligation to do so, and the member had then furnished the Corporation corresponding amounts for capital.

2. For each fiscal year, the amount of capital credit due the members may be established by determining the amount that all sums received and receivable for furnishing energy exceeds all operating costs and expenses, and crediting the same on a patronage basis to all members capital accounts; or, the members may be divided into classifications according to the type of service used by the member, the type of energy purchased by the member, the amount of energy purchased by the member the rate schedule under which the member takes service, or any combination of factors and by proper cost accounting methods the amount of capital credit properly allocable to each classification of members may be determined and credited on a patronage basis to the members within each classification. The method used each year shall be entirely within the discretion of the Board.

3. If the costs and expenses exceed the amounts received and receivable from the furnishing of electric energy or other utility type services, the Board of Directors shall have the authority to prescribe the manner in which such loss shall be handled, including but not limited to (1) the cancellation of prior year capital credits of the loss year members, (2) the carrying forward of the loss to offset the allocations to be made from excess of amounts received or receivable over the costs and expenses from the furnishing of electric energy or other utility type services. The cancellation of prior year capital credits will be done in the order of priority against capital first received by the Cooperative from those members who were active members of the Cooperative in the year of the loss. Losses subject to this Section 2.3 will be determined as provided under Section 2.2, which provides the methods for calculating the method for allocating capital credits.

4. At any time that a member is delinquent in payment for services received, in excess of sixty (60) days, or terminates service with the Corporation and has any obligation for service due and owing the Corporation, then and in that event:

(a) All capital credits that have been theretofore credited to said

Members, but not retired, are automatically, by this provision, assigned to the Corporation, and shall remain so assigned until the obligation, with any interest accruing thereon, has been paid to the Corporation in full;

(b) At the sole option of the Board of Directors, the Corporation may, without further agreement or consent of the members, have and hold a security interest in and to the capital credits so assigned. This is based upon the provisions of this subparagraph 4 of Section 2 of Article VIII and (1) the agreement of the member who consented to the possible imposition of a security interest by signing the Application for Service and Membership, which, among other matters, provided that the member would be "bound by the policies, rates, rules, regulations, Bylaws and Articles of Incorporation of the corporation as any or all of the same may be from time to time amended, which constitutes at the sole option of the Board of Directors a Security Agreement; and (2) Article VIII, Section 2, subparagraph 8 which provides, "The members of the Corporation by dealing with the Corporation, acknowledge that the terms and provisions of the Articles of Incorporation and these By-Laws, as the same may be from time to time amended, shall constitute and be a contract between the Corporation and each member and both the corporation and the members are bound by such contract, as fully as though the Corporation and each member had individually signed a separate instrument containing such terms and provisions. The provisions of these By-Laws shall be called to the attention of each member of the Corporation by posting in a conspicuous place in the Corporation's office, or making copies thereof available upon

request; and

(c) If approved by a majority vote of the Board of Directors, in any particular case, the Security Agreement will provide to the Corporation a first lien on the member's capital credits and the right to receive the same as the credits may be retired and paid from time to time. The Corporation, in its discretion, may file a UCC Financing Statement to secure and perfect the Corporation's secured interest in the capital credits. Until such UCC Financing Statement is filed the Security Agreement shall not be in effect.

(d) At such time a said assigned capital credits or any portion thereof are, pursuant to Subsection 4 hereof, retired and paid, the same shall not be paid to the member, but shall be applied and offset to the payment of any and all outstanding obligations owed the Corporation by aid member. In the event the capital credits being retired and paid exceed the total obligation due from the member to the Corporation, the remaining balance shall be paid to the member. This provision shall not, in any way, impair the Corporation's legal rights to pursue collection of any outstanding monies due the Corporation from any member. The right of any member to receive retired capital credits due on his or her account does not become payable by the Corporation until such time as such capital credit is actually declared by the Board to be retired and paid, and shall not constitute an offset to reduce any sums due the Corporation until retired and paid. Provided further that any assignment of capital credits to a third party by a member shall be effective only to the extent that any capital credits being paid through retirement exceed the obligation due to the Corporation at the time of retirement and payment of such capital credit. At such time as all obligations to the Corporation by the member have been paid in full, remaining capital credits, if any, shall be hereby re-assigned to the member.

5. In the event of dissolution or liquidation of the Corporation after all outstanding indebtedness of the Corporation on shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the Board shall determine that the financial condition of the Corporation will not be impaired thereby, the capital then credited to members= accounts may be retired in full or in part, and the Board shall determine the method, basis, priority and order of retirement, if any, for all amounts heretofore and hereafter furnished as capital.

6. Capital credits to the account of each member, subject to any prior assignment to the Corporation pursuant to subsection 4 hereof, may be assigned or transferred and may be transferred by operation of law, subject to such restrictions and requirements as the Board, acting under policies of general application, may from time to time establish. No assignment or transfer shall be binding upon the Corporation unless there is furnished to the Corporation written evidence of the assignment or transfer in a form satisfactory to the Corporation.

7. Notwithstanding any other provisions of these By-Laws, the Board at its discretion, shall have the power at any time upon the death of any member who was a natural person, if the legal representatives of his estate shall request in writing that the capital credited to any such member be retired prior to the time such capital would otherwise be retired under the provisions of these By-Laws, to retire capital credited to such member immediately upon such terms and conditions as the Board acting under policies of general application, and the legal representatives of such member estate shall agree upon; provided, however, that the financial condition of the Corporation will not be impaired thereby; provided, further, however, that the aggregate amounts so retired in one year may be limited by resolution of the Board acting under policies of general application, and provided further, however, that, if acting under policies of general application the amount is not sufficient to retire the capital credited to any such member or members, such member or members shall have the capital credited to them retired in the next succeeding year before any other retirements are made in such succeeding year.

8. The members of the Corporation, by dealing with the Corporation, acknowledge that the

terms and provisions of the Articles of Incorporation and these By-Laws, as the same may be from time to time amended, shall constitute and be a contract between the Corporation and each member, and both the Corporation and the members are bound by such contract, as fully as though each member had individually signed a separate instrument containing such terms and provisions. The provisions of these By-Laws shall be called to the attention of each member of the Corporation by posting in a conspicuous place in the Corporation's office, or making copies thereof available upon request.

Section 3. Patronage Capital in Connection with other Revenues. All revenues received by the Corporation other than in the furnishing of energy, or other utility type services in excess of cost and expenses, may in the discretion of the Board, insofar as permitted by law, be:

1. used to offset any losses incurred during the current or any prior fiscal year, may as may be determined in Section 2.3;

2. to the extent not needed for that purpose, allocated on a patronage basis, based on the fiscal year in which said revenues were actually received, or charged to a reserve account and included and treated as a part of the capital credited to accounts of the members as in this article provided.

BE IT FURTHER RESOLVED that NEWMONT GOLD COMPANY be advised of the change in the Bylaws of the Corporation, and

BE IT FURTHER RESOLVED that the rate shall not be an adjustment or revision to the amount of accumulated capital credits allocated to Consumer prior to the effective date of the Agreement hereinbefore referred to.

A recess was called at 11:04 am.

The Next Dollar Foundation Annual Meeting of the members was called to order at 11:04am.

IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE RON SPRINGSTEEL AS A MEMBER.

It was reported as information, that Chairperson, Audrey Spratling has turned in her resignation for December.

There was no other business to discuss at this time.

The Next Dollar Foundation Meeting was adjourned at 11:07 am.

The Wells Rural Electric board meeting was called back to order at 11:07 am.

C. Policy 7-2, Nepotism **[[#150]]** The board reviewed and discussed Policy 7-2.

D. Strategy 3 **[[#150]]** Human Resources **[[#150]]** Hank James gave a presentation on new practices at Wells REC as well as future goals. A discussion ensued. **IT WAS ON MOTION BY JERRY PARKIN, SECONDED BY GERALD ANDERSON AND PASSED UNANIMOUSLY TO APPROVE STRATEGY 3, HUMAN RESOURCES.**

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

NEW MEMBERSHIPS: IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE 75 NEW MEMBERSHIPS AS REVIEWED: WELLS **[[#150]] 13; CARLIN **[[#150]]** 13; WENDOVER, NV **[[#150]]** 35 AND WENDOVER, UT **[[#150]]****

14.

INFORMATIONAL ITEMS:

DEPARTMENT OR OTHER REPORTS

The following reports were included as information in the agenda:

- Outage
- Finance and Administration
- Member Services
- Office Services
- Marketing
- Diversified Services
- Information Services
- Operations
- Integrated Resources

POWER SUPPLY REPORT

Don Angell reported on: BPA/Northwest Issues; Newmont; Nevada Issues; Federal and California Issues.

BOARD REPORTS

A handout on Portland was available to the board.

A CFC handout on putting together a better business plan was given to the board.

A discussion was held concerning our collection/disconnect policy as it applies to large customers. It was affirmed by the board that management is to strictly follow the policy for all members.

CEO[[#146]]S REPORT

- A. NWPPA Education Update **[[#150]]** Clay reported that WREC has utilized one of the NWPPA discounted education classes.
- B. Amendment to the 2-Year Work Plan **[[#150]]** A discussion was held during the department reports on replacing 2 additional poles for the Emigrant line.
- C. Strategic Planning Session **[[#150]]** Clay reminded the board of the planning session scheduled with Greg Boudreaux of NRECA on Tuesday, October 8th at 8:00 am. It was the consensus of the board to complete the planning on October 8th and not meet on Wednesday, October 9th.
- D. Christmas Party **[[#150]]** The board approved holding the Christmas party on Saturday, December 14th at the Silversmith in Wendover.
- E. December Board Meeting **[[#150]]** It was agreed to hold the regularly scheduled meeting on Friday, December 13th at 9:00 am in the Wells office.

OTHER BUSINESS:

There was no further business.

EXECUTIVE SESSION:

An executive session was not held.

As there was no further information to discuss, the meeting was adjourned at 1:45 pm. pm.

D. Vernon Dalton, President

Lois Nannini, Secretary/Treasurer

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