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

December 12, 2003

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, December 12, 2003 at 9:00 a.m. The meeting was presided over by President D. Vernon Dalton.

Directors present were: Gerald Anderson, D. Vernon Dalton, Orlin Kidner, Paul Neff, Jerry Parkin, S. J. Smith, Ron Springsteel and Mary Wright. Scott Egbert, Lois Nannini and Howard Wright were absent. Gerald Anderson left at the lunch recess and did not return.

Staff member present was Clay R. Fitch, Chief Executive Officer. Also present was Tommi Reynolds, Manager of Integrated Resources.

ACTION ITEMS:**APPROVAL OF MINUTES:**

It was noted that the results of the vote approving the BPA contract changes was not recorded. The vote was unanimous. The minutes of the regular meeting of November 12, 2003 were approved as corrected.

ADDITIONS TO AGENDA:

- [[#183]]** Request for sponsorship from Coyote Television
- [[#183]]** National Endangered Species Act Reform Coalition

SAFETY FIRST VERSE: Christmas lights **[[#150]]** If you hang Christmas lights on your house this year, be sure your ladder is stable on the ground to prevent falling.

PRESENTATION:

Mr. John Saven, Executive Director of the Northwest Requirement Utilities (NRU) presented the role of NRU, the history and current status of the Stipulation and Agreement for Settlement. Saven provided an estimated financial effect of the Settlement on Wells Rural Electric Company. Presentation and following discussion took approximately one hour. The decision of whether or not to sign the Settlement will be made at the January board meeting following further discussion, and legal advice.

ACTION ITEMS:

- A. Request for sponsorship from Coyote Television - A letter from Howard Copelan, representing Coyote Television, requesting sponsorship was read and discussed. **IT WAS ON MOTION BY S.J. SMITH, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO ACCEPT THE LETTER AS INFORMATION.**
- B. National Endangered Species Act Reform Coalition (NESARC) **[[#150]]** A letter requesting renewed membership with annual dues of \$2,000.00 was presented. Membership value was discussed. **GERALD ANDERSON MOVED TO ACCEPT THE REQUEST AS INFORMATION. S.J. SMITH SECONDED THE MOTION. DISCUSSION FOLLOWED. PAUL NEFF MOVED TO AMEND THE MOTION TO ADD THE WORDS, [[#147]] AND TO REVIEW AND REVISIT THE INFORMATION IN JANUARY. [[#148]] MARY WRIGHT SECONDED THE MOTION. THE MOTION PASSED AS AMENDED.**

A break was called at 10:23. The meeting resumed at 10:38.

- A. Property and Liability Insurance **[[#150]]** On the advice of staff and counsel and after discussion **IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE ACCEPTING THE BID FROM FEDERATED INSURANCE FOR**

GENERAL LIABILITY AND PROPERTY INSURANCE.

- B. Industrial Insurance **[[#150]]** On the advice of staff and counsel and after discussion **IT WAS ON MOTION BY JERRY PARKIN, SECONDED BY GERALD ANDERSON AND PASSED UNANIMOUSLY TO APPROVE ACCEPTING THE BID FROM FEDERTED INSURANCE FOR INDUSTRIAL INSURANCE.**
- C. Wage and Salary Plan **[[#150]]** Clay presented the plan. He explained how it works and how it had been used by the Company in the past. The board discussed the plan and agreed to review Policy 7-1, Salary and Wage Administration. **IT WAS ON MOTION BY JERRY PARKIN, SECONDED BY S.J. SMITH AND PASSED UNANIMOUSLY TO APPROVE THE WAGE AND SALARY PLAN AS PRESENTED.**
- D. Strategy 2, Operational Efficiencies and Cost Reductions **[[#150]]** Clay presented the report outlining service standards identified by a cross functional team of WREC employees. After discussion the board agreed with the prioritization as presented. **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE THE OPERATIONAL EFFICIENCIES AND COST REDUCTIONS REPORT AS PRESENTED.**
- E. Strategy 7, Economic Development **[[#150]]** Clay presented the Economic and Community Development Report which included the annual estimated cost of implementing Policy 1-15, Economic and Community Development. The board reviewed and discussed the report. No action was taken. **S.J. SMITH MOVED TO SCHEDULE A TIME TO REVIEW POLICY 1-5 AND REVISE IF NEEDED. MARY WRIGHT SECONDED THE MOTION. IT PASSED UNANIMOUSLY.** Staff was directed to review and recommend changes to the policy.
- F. Expense Budget **[[#150]]** Clay explained that the new budget format is an exception report and is intended to be easier to read and understand. It provides explanations for budgets that differ greater than plus or minus 10% or \$5,000. The format and content were discussed. **IT WAS ON MOTION BY ORLIN KIDNER, SECONDED BY S.J. SMITH AND PASSED UNANIMOUSLY TO ACCEPT THE EXPENSE BUDGET AS PRESENTED.** The new budget format was complimented and Clay was directed to express the board **[[#146]]**s appreciation to all employees for their ongoing efforts to reduce costs.
- G. GPA Budget **[[#150]]** Clay presented a revised version of the 2004 General Plant Acquisition Budget. He also provided associated costs. The Budget was discussed. It was noted that total cost was significantly lower than in previous years. **IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY PAUL NEFF AND PASSED UNANIMOUSLY TO ACCEPT THE GENERAL PLAN ACQUISITION BUDGET AS PRESENTED.**
- H. Capital Credit Retirement, Member Allocation - Clay discussed the reasons for having two separate retirements. He noted that this was consistent with WREC **[[#146]]**s bylaws and was based on advice from our auditors and attorney. **IT WAS ON MOTION BY S.J. SMITH, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE CAPITAL CREDIT RETIREMENTS DISTRIBUTION, IN THE AMOUNT OF \$500,000.00 TO ALL ELIGIBLE MEMBERS AS PROVIDED BY WREC **[[#146]]**S BYLAWS.**
- IT WAS ON MOTION BY PAUL NEFF, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE CAPITAL CREDIT RETIREMENT IN THE AMOUNT OF \$250,000.00 TO NEWMONT GOLD COMPANY AS PROVIDED BY WREC **[[#146]]**S BYLAWS, BUT NOT TO DISTRIBUTE THAT RETIREMENT PER NEWMONT **[[#146]]**S DECISION.**
- K. Write-Offs **[[#150]]** The board reviewed the current write-off list. **IT WAS ON MOTION BY ORLIN KIDNER, SECONDED BY JERRY ANDERSON AND PASSED UNANIMOUSLY TO APPROVE THE 2003 WRITE-OFF LIST AS PRESENTED.**

A lunch recess was taken at 12:20 pm. The meeting resumed at 12:58 pm.

PRESENTATIONS:

Vernon acknowledged that Robert O. Vaughan has served capably as WREC **[[#146]]**s attorney since the Company

was incorporated in 1958. A plaque recognizing his service will be sent to him.

Mary Wright was presented with a plaque recognizing six terms on the board and Orlin Kidner received a plaque recognizing two board terms.

ACTION ITEMS:

Diversified Business Plan **[[#150]]** *The Wendover Area Business Plan, Phase Two of the WREC Wireless Business Plan* was reviewed. Clay asked how often the board wanted to receive reports on the Wireless Business. Vernon commented on the importance of an exit plan. **JERRY PARKIN MOVED TO ACCEPT THE REPORT AS PRESENTED, TO REPORT ON A QUARTERLY BASIS AND TO**

INCLUDE A SEPARATE EXIT PLAN FOR EACH AREA [[#146]]S BUSINESS PLAN. ORLIN KIDNER SECONDED THE MOTION AND IT PASSED UNANIMOUSLY.

Safety Minutes **[[#150]]** **IT WAS ON MOTION BY PAUL NEFF, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE SAFETY MINUTES AS PRESENTED.**

New Memberships **[[#150]]** **IT WAS ON MOTION BY ORLIN KIDNER, SECONDED BY RON SPRINGSTEEL AND PASSED UNANIMOUSLY TO APPROVE 38 NEW MEMBERSHIPS AS REVIEWED; WELLS [[#150]] 7; CARLIN [[#150]] 10; W. WENDOVER, NEVADA [[#150]] 10 AND WENDOVER, UT [[#150]] 11.**

INFORMATION ITEMS:

Department Reports **[[#150]]** The following reports were included as information in the agenda:

Office Services

- [[#183]]** Finance and Administration
- [[#183]]** Accounting
- [[#183]]** Member Services
- [[#183]]** Marketing
- [[#183]]** Member Business Development

Operations Department

- [[#183]]** Outage
- [[#183]]** Information Services

Power Supply Report **[[#150]]** The power supply report was included in the agenda.

BOARD REPORTS:

There were no Board reports.

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

Fraud Policy - Clay reported on the presentation made by the auditors. They provided a sample policy. The board agreed to wait until March to further discuss policy drafting and adoption to allow time for employee education.

USDA REDLG Program **[[#150]]** Clay explained how the program works. Staff was directed to provide more information from USDA for further discussion in January.

Persis Communication **[[#150]]** On advice of counsel a court case will be filed against Persis Communication to collect amounts owed.

Candidate Training **[[#150]]** Dates have been selected and an agenda drafted.

WREC Classic **[[#150]]** WREC sponsored basketball tournament for boys and girls scheduled for December 12 and 13.

EXECUTIVE SESSION:

An Executive Session was not held.

As there was no further information to discuss, the meeting was adjourned at 1:40 pm.

D. Vernon Dalton, President

Lois Nannini, Secretary/Treasurer

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