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

April 16, 2004

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, April 16, 2004 at 9:00 a.m. 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, Ron Springsteel, Howard Wright and Mary Wright.

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 March 12, 2004 were approved as written.

ADDITIONS TO AGENDA:

- CFC Integrity Fund

SAFETY FIRST VERSE: Slow Down and Live! Hydroplane is when your vehicle skids on a wet road because a film of surface water prevents a vehicle **[[#146]]**s tires from making a firm contact with the road surface.

EXECUTIVE SESSION: Robert Cobb of Bolinger, Segars, Gilbert and Moss L. L. P. reported on the 2003 Audit. Following the executive session, **IT WAS ON MOTION BY S. J. SMITH, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO ACCEPT THE 2003 AUDIT AS PRESENTED.** (1 hr. 14 min.)

ACTION ITEMS:

Policy 1-9 - A discussion was held regarding the information sent to the directors from general counsel. **IT WAS ON MOTION BY PAUL NEFF, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO TABLE THE PROPOSED CHANGES TO POLICY 1-9, MEMBER REQUESTS FOR COMPANY INFORMATION.**

Bylaw Changes, Article VIII, Section 2 **[[#150]]** The next matter to come before the meeting concerned the amendments to Article VIII, Section 2, paragraph 4(d),

and Article VIII, Section 2, paragraph 5, of the Bylaws, be amended as hereinafter set out. The amended provisions were recommended by the Certified Public Accountants and General Counsel. The purpose of the amendments are to provide more flexibility on how the board might deal with capital credit settlement arrangements with bankrupt patrons and estates of deceased natural persons, and also the method, basis, priority and order of retirement, if any, considered by the board, including the retirement of amounts furnished as capital at a discount.

After a thorough discussion was had of the matter, **IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION.**

RESOLVED that Article VIII, Section 2, paragraph 4(d), be amended by addition of the wording: **[[#147]]**The Board is authorized, but not required, to negotiate capital credits settlement arrangements with bankrupt patrons, estates of deceased natural persons.**[[#148]]**

IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY SCOTT EGBERT AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION:

RESOLVED that Article VIII, Section 2, Paragraph 5 be amended by adding thereto the following wording: **[[#147]]**Notwithstanding any other provision of these Bylaws, the method, basis, priority and order of retirement, if any, considered by the Board may, but is not required to, include the retirement of the amounts furnished as capital at a discount.**[[#148]]**

MEMBER PRESENTATION: Members Paul Bottari and Joe Rick **[[#150]]** Paul Bottari expressed his concerns with the current Rule 9 **[[#150]]** Line Extension Policy and strongly suggested the board consider changing it to make it more fair to those building line extensions. President Dalton thanked Mr. Bottari for coming before the board and assured him that this is a current issue being reviewed by the board. He also stressed that decisions the board make includes all members of Wells Rural and the board must consider that when making any changes to Rule 9.

A lunch recess was called at 12:00 noon. The meeting was called back to order at 12:40 pm.

Discussion on Rule 9 continued. (1 hr. 5 min.)

CFC Integrity Fund **[[#150]]** Clay handed out contributions made eight years previous. Following a discussion, **IT WAS ON MOTION BY LOIS NANNINI, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO CONTRIBUTE FIVE PERCENT (5%) OF WELLS RURAL[[#146]]S PATRONAGE CAPITAL CREDIT REFUND, NOT TO EXCEED \$3,500.00 TO THE CFC INTEGRITY FUND.**

Implementation Plan for Policy 1-15, Economic and Community Development - The board reviewed the proposed estimated cost of continuing implementing Policy 1-15. **IT WAS ON MOTION BY RON SPRINGSTEEL, SECONDED BY MARY WRIGHT AND PASSED UNANIMOUSLY TO APPROVE THE IMPLEMENTATION PLAN FOR POLICY 1-15, PARAGRAPH II-D, E AND F.** Staff was directed to proceed with the estimated costs given during the review and discussion.

Diversified Services Fourth Quarter Report **[[#150]] IT WAS ON MOTION BY SCOTT EGBERT, SECONDED BY HOWARD WRIGHT AND PASSED UNANIMOUSLY TO APPROVE THE DIVERSIFIED SERVICES FOURTH QUARTER REPORT AS PRESENTED.**

Appointment of Election Committee **[[#150]]** The board reviewed past years committees. **IT WAS ON MOTION BY JERRY PARKIN, SECONDED BY ORLIN KIDNER TO APPOINT THE FOLLOWING MEMBERS TO SERVE ON THE 2004 ELECTION COMMITTEE. MOTION PASSED UNANIMOUSLY,**

ESTELA DURAZO **BLANCHE WEEMS **[[#150]]** 1ST**
ALTERNATE

JIM WHITED **ANITA CHOATE **[[#150]]** 2ND**
ALTERNATE**[[#194]]****[[#133]]****[[#208]]**_GET style="MARGIN: 0in 0.5in 0pt 0in" http: qb13bgpatchsp.quickbooks.com
 ass="MsoNormal"> **CAROL WACHTEL**

Non-Incumbent Orientation Date **[[#150]]** Pursuant to the Bylaws, **IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY RON SPRINGSTEEL AND PASSED UNANIMOUSLY TO APPROVE MONDAY, JULY 12, 2004 FOR NON-INCUMBENT ORIENTATION.**

2004 Budget **[[#150]]** The board reviewed the 2004 Budget, including five year graphs showing trends by major cost activities. Following a discussion, **IT WAS ON MOTION BY RON SPRINGSTEEL, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE 2004 BUDGET AS PRESENTED.** (15 min.)

Strategy 4, Legislative and Regulatory **[[#150]]** Clay informed the board of the upcoming Candidate Training Schools in Elko, May 25th; Reno, May 26th and Las Vegas May 27th. **IT WAS ON MOTION BY ORLIN KIDNER, SECONDED BY HOWARD WRIGHT AND PASSED UNANIMOUSLY TO APPROVE STRATEGY 4, LEGISLATIVE AND REGULATORY AS PRESENTED.**

INFORMATION ITEMS:

Director Compensation **[[#150]]** Clay handed-out a director benefits survey conducted by Utah Rural Electric Association and explained what was

included in the survey. NWPPA is in the process of a similar study that will include more cooperatives within our region. That survey is expected within the next couple months and will be brought to the board at that time. Clay told the board he received information from NRECA regarding Director Deferred Compensation and asked that he could review the packet before bringing it to the board. There was no objection.

Communication Policy **[[#150]]** A sample policy from NRECA was included in the agenda. Following a discussion, it was the consensus of the board to have staff propose changes, that would customize the policy for WREC**[[#146]]**s use.

ACRE Program for Members **[[#150]]** Directors watched a brief video from NRECA promoting the ACRE Program. A discussion was held regarding whose responsibility it is to get members involved in ACRE. President Dalton emphasized the importance for directors**[[#146]]** to take the responsibility of promoting and collecting ACRE memberships from the members and he challenged each director to acquire two \$100 business memberships by the June board meeting. There was no objection from the directors.

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

New Memberships **[[#150]]** **IT WAS ON MOTION BY ORLIN KIDNER, SECONDED BY GERALD ANDERSON AND PASSED UNANIMOUSLY TO APPROVE 61 NEW MEMBERSHIPS AS REVIEWED; WELLS **[[#150]]** 12; CARLIN **[[#150]]** 17; W. WENDOVER, NEVADA **[[#150]]** 23 AND WENDOVER, UT **[[#150]]** 9.**

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]]** Operations
- [[#183]]** Outage
- [[#183]]** Safety Committee Minutes
- [[#183]]** Information Services
- [[#183]]** Diversified Services - Clay updated the board on the current wireless business and the need for a second tower in Wendover.

Power Supply Report **[[#150]]** A discussion on current issues was held.

BOARD REPORTS: There was a request to change the May board meeting due to a NWPPA conference conflict. The board held a discussion on the number of board meetings that have been changed throughout the year due to conflicts. **IT WAS ON MOTION BY LOIS NANNINI, SECONDED BY SCOTT EGBERT AND PASSED TO CHANGE THE REGULARLY SCHEDULED MAY BOARD MEETING TO WEDNESDAY, MAY 12, 2004, AND AMEND ARTICLE III, SECTION 3, OF THE BYLAWS TO HOLD THE REGULARLY SCHEDULED BOARD MEETINGS THE FIRST WEDNESDAY OF EACH MONTH, AND NO BOARD MEETING WILL BE CHANGED EXCEPT FOR WELLS RURAL BUSINESS. THE MOTION PASSED WITH TWO-THIRDS (2/3) VOTE, WITH PAUL NEFF, HOWARD WRIGHT AND JERRY PARKIN VOTED NO ON THE MOTION.**

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

Annual Company Picnic **[[#150]]** The board agreed to hold the company picnic again in Lamoille Canyon at the Lions Camp. Dates of the campout are August 12th and 13th, with the picnic being held Saturday, August 13th.

NREA Board Meeting **[[#150]]** Clay updated the board on the recent NREA board meeting. The statewide ACRE Committee met during this time also, to begin planning for an ACRE membership drive.

This years NREA Annual Meeting is scheduled in Pahrump, October 26th **[[#150]]** 28th.

Meeting with Raft River and Bonneville Power Admin. **[[#150]]** Clay reported on a meeting that discussed current problems with the capacitor banks on the 138Kv line feeding from Idaho into Wendover and possible solutions. Power Solutions have been hired to re-design the 1,000**[[#146]]** span.

Annual Meeting Speaker **[[#150]]** President Dalton reviewed a tape of a speaker at the recommendation of the company attorney. The tape was given to Clay for staff to review.

Rule 9 **[[#150]]** It was the consensus of the board to table this discussion until May.

Rule 2W, Internet Services **[[#150]]** The board reviewed a list of questions presented by the committee as the foundation to use while drafting Rule 2W. The board was in agreement with the process and the committee was directed to draft Rule 2W.

Switching RFP **[[#150]]** The RFP has been received from Power Engineers and will be presented during the May board meeting.

BOARD AGENDA ITEMS:

- Communication Policy
- Switching RFP
- Cost of Service Study
- Rule 9
- Wild Blue vs. Agristar
- Legislative Update

As there was no further information to discuss, the meeting was adjourned at 4:15 pm.

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