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

August 4, 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 Wednesday, August 4, 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, Jerry Parkin, Paul Neff, Ron Springsteel, Howard Wright and Mary Wright. S. J. Smith was absent.

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

**ADDITIONS TO AGENDA:**

There were no additions to the agenda.

**APPROVAL OF MINUTES:**

The minutes of the regular meeting of July 7, 2004 were approved as written.

**SAFETY FIRST VERSE:** **[[#150]]** As soon as you see a mistake and don't **[[#146]]** fix it, it becomes your mistake.

**ACTION ITEMS:**

Bylaw Review/Adoption **[[#150]]** Clay recapped the proposed changes to the bylaws. A discussion was held in regards to the opinions sent by the company attorney on Article III, Section 2, 3 Qualifications and Eligibility (a) of the Bylaws of the Corporation. **IT WAS ON MOTION BY MARY WRIGHT AND SECONDED BY GERALD ANDERSON TO ADOPT THE FOLLOWING RESOLUTION:**

**RESOLVED:** That there be added to Article III, Section 2, 3 (a) the following provisions relating to eligibility of a member to serve on the Board of Directors:  
(10) (a) To be elected or appointed to the Board and to continue to serve on the Board a person must actually, as opposed to constructively, be a bona fide resident within the electric service area of the Cooperative at the time of the person **[[#146]]**'s declaration of candidacy, election or appointment and, thereafter, for the person **[[#146]]**'s term of office.

(b) If a Director fails to so reside in the electric service area of the cooperative, a vacancy is automatically created thereby and the appropriate action for filling the vacancy must be promptly taken by the Board.

(c) Jurisdiction and venue for any action which may be filed to determine any question of residency shall be in the Fourth Judicial District Court, Elko County, Nevada.

**MOTION FAILED.**

Following discussion on the restated bylaws as presented at the July board meeting by the company attorney, **IT WAS ON MOTION BY PAUL NEFF, SECONDED BY JERRY PARKIN AND PASSED TO ADOPT THE BYLAWS AS RESTATED JULY 7, 2004.**

Employee Handbook **[[#150]] IT WAS ON MOTION BY RON SPRINGSTEEL AND SECONDED BY MARY WRIGHT TO APPROVE THE EMPLOYEE HANDBOOK WITH THE DISCUSSED CHANGES. MOTION PASSED.**

Final Ballot Approval **[[#150]] IT WAS ON MOTION BY GERALD ANDERSON AND SECONDED BY HOWARD WRIGHT TO APPROVE THE 2004 BALLOT AS PRESENTED. MOTION PASSED.**

Director Expense Quarterly Report **[[#150]] The board reviewed and discussed the expense report. IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE DIRECTOR EXPENSE QUARTERLY REPORT AS PRESENTED.**

**INFORMATION ITEMS:**

Grid West Bylaw Comments **[[#150]]** Clay and the board discussed a list of questions developed by Bonneville Power to solicit comments from their customers.

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

New Memberships **[[#150]] IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY RON SPRINGSTEEL AND PASSED UNANIMOUSLY TO APPROVE 55 NEW MEMBERSHIPS AS REVIEWED; WELLS **[[#150]]**11; CARLIN **[[#150]]** 12; W. WENDOVER, NEVADA, NV **[[#150]]** 23 AND WENDOVER, UT **[[#150]]** 9.**

**MANAGEMENT REPORTS:**

Board Reports **[[#150]]** A letter from a member regarding the changes in Rule 6, Discontinuance, Collection, Restoration and Refusal of Service was discussed.

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

Scott Egbert arrived at the meeting. A recess was called at 10:35 am. The meeting was called back to order at 10:50 am.

## Operations Department

- [[#183]] Operations
- [[#183]] Outage
- [[#183]] Safety Committee Minutes
- [[#183]] Information Services
- [[#183]] Diversified Services

Power Supply Report [[#150]] A discussion held.

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

CFC Line of Credit [[#150]] Clay reported the current line of credit is expiring mid-September and is approximately \$2.5 million. An application for renewing the letter of credit has been submitted and will be available for approval at the September board meeting.

Newmont Gold [[#150]] Clay updated the board on current contract issues between Wells Rural and Newmont Gold. Nemwont representatives met with Wells Rural July 21<sup>st</sup> to review contracts. A discussion was held.

Member Survey [[#150]] It was the consensus of the board to postpone discussion on the member survey until the September board meeting when more information could be provided.

Company Picnic [[#150]] Clay reminded the board of the upcoming picnic in Lamoille, Saturday, August 14<sup>th</sup> at 5:00 pm.

NREA Annual Meeting [[#150]] This year [[#146]]s NREA Annual Meeting will be held in Pahrump, NV October 26<sup>th</sup> [[#150]] 28<sup>th</sup>, with the business meeting October 28<sup>th</sup>.

FERC Filing - Clay reported that FERC will be requiring quarterly reporting in 2005 and that NRECA [[#146]]s blanket request of waiver to exempt all cooperatives was ruled against by FERC. Wells Rural has filed a waiver requesting exemption due to being a small business.

### BOARD AGENDA ITEMS:

- Board travel expenses policy

### EXECUTIVE SESSION:

Following an executive session, **IT WAS ON MOTION, SECONDED AND PASSED TO INCREASE THE CEO [[#146]]S SALARY TO \$116,000.00/YR. THE INCREASE WAS BASED UPON APPLYING THE EVALUATION FACTOR OF .899 TO THE MAXIMUM COMPENSATION OF \$123,939 FOR AN ANNUAL INCREASE IN SALARY OF \$21,512. IT WAS NOTED THAT THIS INCREASE MOVES CLAY TO THE MEDIAN SALARY FOR CEO [[#146]]S IN REGION IX.**

### OTHER BUSINESS:

As there was no further information to discuss, the meeting was adjourned at 2:00 pm.

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