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

December 7, 2005

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, December 7, 2005 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, S. J. Smith, Paul Neff, Ron Springsteel. Mary Wright was absent.

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

APPROVAL OF MINUTES: The minutes of the regular meeting of November 2, 2005 were approved as written.

ADDITIONS TO AGENDA:

- Policy 4-1 and Policy 4-2

SAFETY FIRST VERSE: **[[#150]]** Tires **[[#150]]** With winter here; tire pressure should be checked and adjusted if needed and tires replaced if the tread is worn.

MEMBER APPEARANCE **[[#150]]** Mr. Randy Croasmun of Pilot Peak Wildlife Park in Wendover, NV talked to the board about the current status of his Wildlife Park and correspondence with Wells Rural in 1998 regarding a line extension. Mr. Croasmun expressed his concern for the increased cost to construct the line extension and that he wasn't notified of the changes made to the Line Extension Policy. Mr. Croasmun asked the board to consider allowing the line extension to be built under the previous policy. The board explained that the letter received in 1998 was only an estimate and a discussion was held regarding the line extension. Following Mr. Croasmun's presentation, the board thanked him for his interest and concern regarding the new policy. Following a lengthy discussion regarding the information received from Mr. Croasmun, the board requested staff to investigate the circumstances further. **IT WAS ON MOTION BY S. J. SMITH, SECONDED BY RON SPRINGSTEEL AND PASSED TO INFORM MR. CROASMUN TO SUBMIT AN APPLICATION FOR SERVICE AND IT WOULD BE CONSIDERED UNDER CURRENT POLICY.** (52 minutes)

ACTION ITEMS:

Union Agreement **[[#150]]** Clay reported to the board the process involved with the Union negotiations and the changes agreed upon for the union contract. Following a discussion, **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY ORLIN KIDNER AND PASSED TO APPROVE THE UNION CONTRACT, TO BE EFFECTIVE JANUARY 1, 2006 FOR A THREE (3) YEAR TERM.**

Policy 7-2, Employment Practices **[[#150]]** As a result of the Union Contract, Policy 7-2 was presented with amendments that reflected the changes in the contract. **IT WAS ON MOTION BY PAUL NEFF, SECONDED BY GERALD ANDERSON AND PASSED TO APPROVE POLICY 7-2 AS PRESENTED.**

Policy 1-10, Benefits for Retired Directors **[[#150]]** Clay handed out Policy 1-10 with proposed changes from the company attorney. Following review and consideration of the proposed changes, **IT WAS ON MOTION BY HOWARD WRIGHT, SECONDED BY GERALD ANDERSON TO APPROVE THE CHANGES TO POLICY 1-10 AS AMENDED.** Discussion continued.

IT WAS ON MOTION BY S. J. SMITH, SECONDED BY LOIS NANNINI TO AMEND THE PREVIOUS MOTION TO STRIKE THE FOLLOWING:

- H. While the benefits pursuant to this policy are available only to persons who have served at least three (3) years as a director, by action approved by the board of directors, years of service as an employee of the company may be added to the years of service as a director to qualify for benefits pursuant to the provisions of **[[#147]]**B and C.**[[#148]]****

MOTION PASSED.

Following further discussion, **IT WAS ON MOTION BY HOWARD WRIGHT TO AMEND THE PREVIOUS MOTION TO CHANGE SECTION II, B **[[#147]]**YEARS OF SERVICE**[[#148]]** FROM TWELVE (12) YEARS TO NINE (9) YEARS. MOTION FAILED FOR LACK OF A SECOND.**

Director Scott Egbert arrived at the meeting at 10:52 a.m.

Wage and Salary **[[#150]]** Clay handed out the Wage and Salary Plan and explained the process and method used in putting it together. Following a review and discussion, **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY ORLIN KIDNER AND PASSED TO ACCEPT THE WAGE AND SALARY PLAN AS PRESENTED.**

Further discussion was held in regards to the possibility of having the wage and salary survey done by an outside source. It was the consensus of the board to add this to the January agenda for further discussion.

2006 Operating Budget **[[#150]]** The board reviewed and discussed the 2006 Operating Budget. **IT WAS ON MOTION BY HOWARD WRIGHT, SECONDED BY GERALD ANDERSON AND PASSED TO ACCEPT THE OPERATING BUDGET AS PRESENTED.**

Capital Budget **[[#150]]** Following review of the Capital Budget, **IT WAS ON MOTION BY SCOTT EGBERT, SECONDED BY JERRY PARKIN AND PASSED TO ACCEPT THE CAPITAL BUDGET AS PRESENTED.**

General Liability Insurance **[[#150]]** A handout was given to the board comparing the two bids received. It was noted that the bid is valid for a one-year contract. **IT WAS ON MOTION BY SCOTT EGBERT, SECONDED BY GERALD ANDERSON AND PASSED TO THE FEDERATED BID AS PRESENTED.**

By-Law Changes for Capital Credits and Approval of Policy 4-1, Financial Management Policy **[[#150]]** Clay explained to the board the company attorney**[[#146]]**s recommended changes. **IT WAS ON MOTION BY S. J. SMITH, SECONDED BY JERRY PARKIN AND PASSED TO APPROVE THE RECOMMENDED CHANGES TO ARTICLE VI AND VIII AS AMENDED AND TO INCLUDE THE CHANGES MADE IN POLICY 4-1 AND POLICY 4-2.**

Approval of Retired of Capital Credits **[[#150]]** **IT WAS ON MOTION BY ORLIN KIDNER, SECONDED BY GERALD ANDERSON AND PASSED TO RETIRE \$761,037.69 IN CAPITAL CREDITS IN 2006.**

2006 Board Meeting Schedule **[[#150]]** **IT WAS ON MOTION BY LOIS NANNINI, SECONDED BY RON SPRINGSTEEL AND PASSED TO APPROVE THE FOLLOWING 2006 BOARD MEETING DATES: JANUARY 4, FEBRUARY 1, MARCH 1, APRIL 5, MAY 10, JUNE 7, JULY 5, AUGUST 2, SEPTEMBER 6, OCTOBER 4, NOVEMBER 1 AND DECEMBER 6.**

2005 Write-Off List **[[#150]]** The board reviewed the proposed write-off list. Clay explained the process for collecting some of the debt and minimizing the amount that is written off each year. **IT WAS ON MOTION BY LOIS NANNINI, SECONDED BY JERRY PARKIN AND PASSED TO**

APPROVE THE 2005 WRITE-OFF LIST AS PRESENTED.

3rd Quarter Diversified Services Report **[[#150]]** This report was handed out to the board for their review. Clay reported that the auditors will be looking at what costs are being allocated and a report will be made to the board. **IT WAS ON MOTION BY S. J. SMITH, SECONDED BY SCOTT EGBERT AND PASSED TO APPROVE THE 3RD QUARTER DIVERSIFIED SERVICES REPORT AS PRESENTED.**

A lunch recess was called at 12:15. The meeting was called back to order at 12:47 pm.

Cost of Service Update **[[#150]]** Tommi Reynolds made a presentation on the current cost of service model. A discussion was held.

INFORMATION ITEMS:

Safety Minutes **[[#150]]** **IT WAS ON MOTION BY GERALD ANDERSON, SECONDED BY HOWARD WRIGHT AND PASSED TO APPROVE THE SAFETY MINUTES AS PRESENTED.**

New Memberships **[[#150]]** **IT WAS ON MOTION BY SCOTT EGBERT, SECONDED BY GERALD ANDERSON AND PASSED TO APPROVE 50 NEW MEMBERSHIPS AS REVIEWED; WELLS **[[#150]]** 15; CARLIN **[[#150]]** 12; WENDOVER, NV **[[#150]]** 17 AND WENDOVER, UT **[[#150]]** 6.**

BOARD REPORTS - Directors who attended the Region IX Meeting reported.

Director Lois Nannini left the meeting at 1:30 pm.

MANAGEMENT REPORTS:

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]]** Safety Committee Minutes
- [[#183]]** Diversified Services

Power Supply Report

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

Strategic Plan **[[#150]]** Clay handed out the current Strategic Plan. A discussion was held.

FERC Exemption **[[#150]]** Clay gave an update.

AGENDA ITEMS:

- Wage and Salary Plan
- Cooling Down Period for Employees
- Sister Cooperatives

EXECUTIVE SESSION:

An Executive Session was held.

OTHER BUSINESS:

As there was no further information to discuss, the meeting was adjourned at 2:05 pm.

D. Vernon Dalton, President

Lois Nannini, Secretary/Treasurer

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