

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

August 18, 1978

The regular meeting of the Board of Directors of Wells Rural Electric Company was called to order on August 18, 1978 at 1:00 p.m. President Vernon Dalton presided over the meeting.

Directors present were: Vernon Dalton, Clarence Swett, Gene Pengelly, Jesse Larsen, Daryl Eriksen, Ferris Brough, Ray Crawford, Ester Quilici and Jim Ballard. Glenn Wadsworth and Tom Achurra were unable to attend. Present from the staff were Pat Nolz and Patti Blackett.

Additions to the Agenda: Marshall Morgan, Report by Insurance Committee, Donation to Town of Wendover for annual reunion or celebration, Voting Delegate for Region IX Meeting and Executive Meeting.

Corrections to the minutes: It was brought to the attention of the Board that error had been incurred in the reference to the provisions of the By-laws that were amended during the meeting of July 21, 1978. On motion duly made and seconded it was unanimously:

RESOLVED that Line 6 of page 2 of the Minutes be amended to read as follows:

"RESOLVED: That Article III, Section 2, Paragraph 3(a) of the By-laws of***"

RESOLVED that Line 17 of Page 2 of the Minutes be amended to read as follows:

"RESOLVED: That Article III, Section 2, Paragraph 3(b) of the By-laws of***"

RESOLVED that Line 3 of Page 3 of the Minutes be amended to read as follows:

"RESOLVED: That Article III, Section 2, Paragraph 3(d) of the By-laws of***"

RESOLVED that Lines 8 and 9 of Page 3 of the Minutes be amended to read as follows:

"RESOLVED: That Article III, Section 2, Paragraph 3(e) of the By-laws of Wells Rural Electric Company be changed to Paragraph 3(d) and be amended***"

Report from Nominating Committee: Bud Reynolds, Chairman of the Nominating Committee, presented the names of five nominees for the four seats up for re-election this year. The nominees are: Ray Crawford, Vernon Dalton, Wm. B. Wright Jr., Darlene Sharp and Win Lindquist. The committee did not reject any nominations. GENE PENGELLY MOVED WE ADOPT THE NOMINATING COMMITTEES REPORT. JESSE LARSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Marshall Morgan requested to visit with the Board. Mr. Morgan put a pivot in at the old Bud Reynolds Ranch a little over a year ago. There was an existing power pole to the pump. He talked to someone with the Company about having the pole removed and an underground wire run to the pump in order for the pivot to make a 360° circle. He received a price during the conversation. He was told that it was his responsibility to dig the trench. He dug the trench last year and then discussed the price later. It was substantially more than what was discussed earlier. It was late in the year and Mr. Morgan said he would wait until next spring. This year, he called this person and they were quite busy and were going to get in touch with him. Mr. Morgan made several attempts:

to get in touch with this person but his calls were not returned. Jim Craig came in and got a price and was told it would be done in 2 or 3 weeks. This was last June and to this day, he has heard nothing. He got an outside contractor to do this work but he could not move the power pole. The contractor called into the office to get a price. He was told \$300 first, then \$400, then it went up to \$500. This was not a firm price. Mr. Morgan felt he should come to the Board to see what could be done. Mike and Richard will meet with Mr. Morgan next week. Mr. Morgan was also wondering if there were any intentions of putting clay or bentonite in the reservoir to hold the water. There is some clay on Mr. Morgan's land we could use if we did this. We will find out what the plans are for this.

Pine Valley/Carlin: There was discussion on the information on the agenda. DARYL ERIKSEN MOVED THAT WE OFFER THE PINE VALLEY RESIDENTS A 35 YEAR CONTRACT AND THE ACCELERATION WOULD BE 120 MONTHS OF PAYMENT OR 10 YEARS WOULD BE THE MAXIMUM THEY WOULD HAVE TO PAY IN CASE OF DEFAULT. GENE PENGELLY SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Contact - O'Neil: Jim mentioned that the poles in this area are the same kind that are in Clover Valley and we might be able to put a top mast on top of the existing pole. This would be alot cheaper than replacing the whole pole.

Policy: The Policy Committee has prepared revised policies and were distributed to the directors. Ester was wondering if since the Manager had a change in salary, would that affect the boards rate of pay? The boards pay will not change. On page 18, 11-A1, there needs to be a hyphen between mid-range. On page 46, 11-A2, Sponsor will be changed to Department Head. On page 53, 8, everything from supervisors was deleted but it was not deleted on the revised copy. This will be left as is. On page 13, item 5, second line, change will to well. Page 21, second paragraph, 4th line, "The Employees" was deleted. This will be left in. On page 26, 2b, we will change lender to lenders and delete REA. Page 36, 11C, add "Other use of these funds will be by prior Board approval." Page 42, 11A, 4th line, delete "Not more than." Page 51, item 6, add "The cost of living adjustment will be at a rate of not more than one cent for each .3% in the CPI (Consumer Price Index)," and change "Salary Increase" to "Salary Adjustment." Page 53, item 11, the bottom line "will not" was changed to "may." JESSE LARSEN MOVED WE LEAVE THIS AS STATED ORIGINALLY IN THE OLD POLICY. DARYL ERIKSEN SECONDED THE MOTION. JIM BALLARD MOVED THE MOTION BE TABLED UNTIL THE MANAGER IS HERE. ESTER QUILICI SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Page 56, 111-A 1, second paragraph, sixth line, it says "day may be," this will be changed to "day may vary." Page 59, C4, add "Non-Union personnel may request a hearing with the Employee Relations Committee as a last resort." Page 61, there was discussion on G, "Sick leave" and page 63, N, "Retirement age." ESTER QUILICI MOVED WE TABLE SECTION G & N UPON FURTHER RECOMMENDATION FROM THE RETIREMENT COMMITTEE. GENE PENGELLY SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Page 68, Tuition Reimbursement. Vernon feels the Company should contribute more than 50% of the cost for an employee furthering his education for this Company. He suggests the Company reimburse the employee 100%. In 11-B we will add "or to enroll in an educational course of study" after the word school in the first line. The amount of reimbursement will not be changed and the policy will be approved as is. Page 76, Section D, Commission. Ester would like to see the Company reduce the commission rate to the Sales Supervisor. She would also like to see a change in the way the commission is given. She thinks the commission should be shared with the person who actually sold the appliance if it wasn't the sales supervisor. She doesn't think the Company should give a 9% commission. She would also like to see a change on the Sales Supervisor receiving a commission on merchandise displayed in this area by merchants of the community. JIM BALLARD MOVED WE DISPLAY OUTSIDE DEALERS APPLIANCES AND SELL THEM WITHOUT A COMMISSION. JESSE LARSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Page 71, Scholarship, 11-A, we will delete "Maintains a grade point average of 2.5 or better" and add "completes his or her first year in a satisfactory manner." ESTER QUILICI MOVED WE ADOPT THE POLICY WITH THE 3 EXCEPTIONS. JIM BALLARD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Appliance & Safety Report: We sold 1 water heater, 3 microwave ovens and 1 jen-air range for the month. The safety meeting was held Friday, August 4, 1978. We discussed safety inspections on vehicles, seat belts, hard hats and accidents that have happened in the past concerning natural gas and digging around propane and natural gas lines.

Retirement and Insurance Committee: The committee met on July 28 at 3:00 p.m. They worked up a program for the employees. The employees met twice to discuss the options. The employees selected the ElectREcomp, ElectRElife - Basic Life, ElectRElife - Plan A, ElectREwage - 13 week plan, 13 week long term disability, 24-hour accident and the Hi-Limit Business Travel. The employees contribution is \$11.21 per month. Right now we are on a waiting period of 3 months. Mike suggested we do away with the 3 month waiting period and let the new employees get in the insurance as soon as they begin work. GENE PENGELLY MOVED WE ADOPT THIS REPORT. CLARENCE SWETT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Community Development Committee: Jesse and Daryl attended the City Council Meeting. A Planning Board was appointed. Mike and Ellie are on this board.

Construction Report: The line crew replaced the 7200 voltage regulator at the Wells Sub-Station. An underground service was completed to Mike Walton at Ten Mile Creek,. This was done at his cost. Nine new secondaries and services have been added to the Wells and Wendover system. A 2 pole 1Ø extension to a 20 H.P. irrigation pump has been completed for the Big Springs Ranch. The re-location of a 65-2 pole on Spruce Mt. has been relocated for the BLM Communications, U.S. Forest Service and Nevada Dept. of Wildlife at their cost. Service to the Wells Grammar School has been removed for the demolition of the old school. Jim asked if anything had been done on the Starr Valley line. Some work has been done and more is planned for the next few months.

Regional Power Planning: Nothing new.

Hydro Plant: The Forest Service recently made an on site preliminary inspection and were very well satisfied with the work being done on the reservoir and other work that has been completed. We have received the necessary permit from the Forest Service and are presently seeking to renew our F.P.C. permit. Work is progressing very well. The pipe has been run into the collection box from the spring. Attempts are being made to put the water in from the small spring and creek. Bob Arnold has had his cat up at the reservoir pushing the dirt from the bottom of the reservoir to the top making a dam. The generator is wired up and all we need is a wire going inside the Hydro to the outside to the main power line. There is still alot of work to be done on the inside.

Settlement with Idaho Power: Nothing new.

Engineering Report: We have been busy with work order preparation, right-of-ways, new line extension contracts and new work order procedures for work on routine and proposed work orders.

Employee & Director: Institutes & Schools: Ester read some information on a seminar that N.W.P.P.A is holding in conjunction with the Region IX Meeting. She would like to attend this seminar. JESSE LARSEN MOVED ESTER QUILICI'S REQUEST TO ATTEND THIS SCHOOL BE GRANTED. DARYL ERIKSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Vernon said that there is going to be an NREA meeting September 1. There will not be a 500.2 school held in Ely this year but they are still going to try to get one in Ely.

A print-out sheet on all institutes attended by Directors was passed around for Directors to check.

Power Source: Nothing new.

Selection of Election Committee: The names submitted were: Carol Saunders, Ola Triplett and Keith Miesner. Alternates are June Gregory and Nevada Penoli. GENE PENGELLY MOVED WE ADOPT THIS. CLARENCE SWETT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Selection of Director to purchase 4-H beef: GENE PENGELLY MOVED WE SELECT VERNON DALTON TO PURCHASE THE 4-H BEEF. RAY CRAWFORD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

GENE PENGELLY MOVED WE APPROVED THE 21 MEMBERSHIPS FROM WELLS AND THE 23 FROM WENDOVER. RAY CRAWFORD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Donation to Town of Wendover for annual reunion or celebration: RAY CRAWFORD MOVED WE DONATE \$10.00 TO THIS. CLARENCE SWETT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Selection of Voting Delegate for Region IX Meeting. ESTER QUILICI MOVED WE NOMINATE GENE PENGELLY. JIM BALLARD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

GENE PENGELLY MOVED WE NOMINATE ESTER QUILICI AS ALTERNATE. JIM BALLARD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

The meeting adjourned at 5:00 p.m.



D. VERNON DALTON, PRESIDENT



CLARENCE C. SWETT, SECRETARY

MEMBERSHIPS TO BE APPROVED

August 18, 1978

WELLS

1. Paul Arnold
2. Charles Basso
3. John Brandstatt
4. Lee H. Christensen
5. Mark Daly
6. Sharon Evensen
7. David P. Feldmann
8. James D. Kelley
9. Bryce Kimber
10. Larry A. May
11. Robert Mitchell
12. Frank Moore
13. Gene Parrott
14. Burke Petersen
15. Jose Quintero
16. Ken Rasley
17. Robert K. Read
18. Robert A. Sallee
19. Michael D. Spanel
20. Greg Warren
21. John Wester

WENDOVER

1. Mrs. John Allen
2. Kenneth L. Allen
3. Salvador Ayala
4. Linda Bailey
5. Paul C. Bogue
6. Becky Burk
7. Robert Butler
8. John Coe
9. Cindy Estes
10. Nancy Gentry
11. Claude Grider, Jr.
12. Luis Haro
13. Dianna Huntington
14. Jim Keith
15. Edward A. Keller
16. Al Linares, Jr.
17. Brent Murphy
18. Lujuana Petersen
19. Clarkson Rees
20. Don Richey
21. L. L. Ucovich
22. Chet Walorski
23. Fred B. Ward

WELLS RURAL ELECTRIC COMPANY
ADOPTED: March 1976
REVISED: August 18, 1978
REVISED:

STATEMENT OF IDEALS

1. Wells Rural Electric Company is in existence to provide necessary services for its member/owners, governed by the highest standards of conduct and ethics at all times.
2. The benefits derived from the cooperatives' existence shall be shared equally by the members, employees, Board of Directors and the public; and it shall be the responsibility of the cooperative to educate and communicate these benefits to those sharing the benefits.
3. The economic opportunities that exist in the cooperative carry with them great responsibilities. Through long-range planning the Board of Directors and Management will endeavor to operate the cooperative in a healthy fiscal manner with the member/owners interests in mind.
4. Wells Rural Electric Company has major responsibilities for helping to raise the standard of living and for improving the productivity and opportunity for economic prosperity, and an ever changing service territory.
5. Efficient use of electricity is in the best interests of all people, and in providing electricity for themselves through a cooperative organization, the members are serving the interests of their country, as well as providing their own needs.
6. Wells Rural Electric Company will endeavor to make available reliable and adequate supplies of electric energy to the entire service area and all feasible areas.

WELLS RURAL ELECTRIC COMPANY

ADOPTED: March 1978

REVISED: August 18, 1978

REVISED:

OBJECTIVES

1. To provide a reliable and adequate supply of electric energy to the service area and all feasible areas at the lowest possible cost consistent with other objectives.
2. To seek to establish an adequate supply of wholesale power on a secure basis for long term needs.
3. To provide for the long range security of the Company in its financial and physical facilities requirements.
4. To aim at promoting efficient use of electric energy in the home, agricultural, commercial, and industrial applications in the Company's service territory.
5. To take an active part in developing the economic and social potential of the Company's service territory.
6. To provide for the development of a managerial technical staff and organization to meet the long range needs of the Company.
7. To promote the maximum development of employees and their participation in achieving the Company's objectives.
8. To aim at improving the structure and functioning of the Board of Directors to the end that it will contribute to the achievement of these objectives to the maximum.
9. To be mindful of the environment by designing and installing substations, transmission and distribution facilities that will cause least impact upon the area.

WELLS RURAL ELECTRIC COMPANY

ADOPTED: March 1976

REVISED: August 18, 1978

REVISED:

A STATEMENT OF BELIEFS

WE BELIEVE

1. That the individual citizen, whether in rural or urban America, can and will achieve a sense of personal pride, self-accomplishment and family security if given a real opportunity to participate in social, economic and political activities as a free and equal citizen.
2. That this nation's human, physical and financial resources must be developed and utilized to the maximum extent possible, and that this productive resource development should result in maximum benefit for all citizens, without regard to religion, race, creed, social or economic circumstances.
3. That the development of the potential of rural America and the utilization of its assets will make a major contribution to the welfare of the nation and the world.
4. That the principals of cooperative enterprise embody the freedoms and inalienable rights granted by the Constitution of the United States, and are consistent with the highest ideals of free enterprise system.
5. In the inherent right of people to act in their own self interest when their action does not infringe on the acknowledged rights of others, and that when people exercise this right in concert for mutual benefit, as they do in cooperative organizations, they are doing so in the fullest expression of free enterprise.
6. That people properly establish governments to meet their needs in many ways beyond the reach of individuals acting singly or in groups, but that this role of government should be limited to those areas where objective study show that there is no other practical way to meet these needs.

WELLS RURAL ELECTRIC COMPANY
Wells, Nevada

POLICY NO. 1-1

STATEMENTS OF FUNCTIONS OF THE BOARD OF DIRECTORS

I. OBJECTIVES

- A. To clarify and/or elaborate upon the powers and duties set forth in the Articles of Incorporation and By-Laws for the Board of Directors of Wells Rural Electric Company.
- B. To provide guidance, in a more detailed form on the legal entity, trusteeship, planning, operating requirements, and establish provisions for results measurement and control functions of each individual member of the Board of Directors.
- C. To provide guidance to members who elect Board members to represent their interests in a business where each member has a vital interest in how well the elected representatives on the Board of Directors accept and take action in connection with their responsibilities as Directors.

II. REPORTING RELATIONS OF DIRECTORS

A. Report to

1. Members (through elected officers or others)
2. President (as the chairman and chief executive officer)

B. Board of Directors directs

1. Any established committees (through their chairman)
2. The General Manager

III. RESPONSIBILITIES AND AUTHORITIES OF BOARD OF DIRECTORS

Within the limits of the Charter, By-Laws and other legal and contractual obligations, the Board of Directors of the Wells Rural Electric Company shall exercise the following discretionary (executive) and administrative (ministerial) duties in other functions as Directors.

A. To Constitute and Maintain Legal Entity with Respect to

1. Seeing that the legal requirements as set forth in the Articles of

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Incorporation, By-Laws, other regulations and contractual requirements applying to the Company are complied with regularly, including, but not specifically limited to:

- a. All federal, state and local statutes, ordinances and regulations.
 - b. Federal Power Commission
 - c. Federal Communications Commission
 - d. Rural Electrification Administration
 - e. Cooperative Finance Corporation
 - f. Federal and state tax and regulatory bodies
2. Studying and determining the articles or sections in the By-Laws to be altered, amended or repealed as necessary or required and keeping the members informed on such changes in the By-Laws.
 3. Executing legal contracts such as loan agreements, engineering service agreements and contracts and wholesale power contracts.
 4. Approving applications for membership and issuing membership certificates or evidences of membership.
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B. To Act as Trustee of Members' Interests with Respect to

1. Holding and protecting the assets of the Company.
2. Being familiar with and complying with the By-Laws and Board approved policies of the Company as amended, revised or corrected from time to time.
3. Seeing that a continuous program of member and public relations is carried out to obtain understanding and acceptance of the Company's objectives, viewpoints, policies, plans and programs.
4. Keeping informed, and growing in their own skills and understanding as Board members, and occasionally arranging for an evaluation of Board performance and for a systematic program to keep it growing in its abilities.

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5. Informing the members of the end results of the operations through Company and local news media and annual membership meeting.
6. Participating in such outside activities as deemed necessary to enhance the prestige of the Company, broaden the scope of the Company's operation and fulfill the public obligations of the Company as a member of the community and of the electrification program financed through the Rural Electrification Administration and Cooperative Finance Corporation.
7. Seeing that accurate minutes of Board and membership meetings are prepared and maintained.

C. To Consider and Adopt Plans with Respect to

1. Developing the ideals, viewpoints, objectives and major goals and end results through interpretation and application of the Articles of Incorporation, By-Laws, policies and interests of the membership.
2. Developing the guiding policies of the Company.
3. Developing broad operating programs of services and activities as formulated and recommended by the General Manager.
4. The financial plans and policies essential to maintaining a sound financial structure, as recommended by the General Manager.
5. Annual work programs and operating budgets in terms of the end results, risks and evidence of conditions promising to attain desired end results, as recommended by the General Manager.
6. The required Board policies and programs essential to provide employee satisfaction on an equitable basis within the financial and other capabilities of the Company, as recommended by the General Manager.
7. Developing policies and authorizing programs for maintaining good member relations, public relations and the education of members on more effective use of electricity and ownership of their Company.
8. Developing plans for effective meetings to be conducted often enough to keep informed, to provide needed policies, facilities and financing and to assure desired end results.

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9. Planning annual, district and special meetings of the membership as required which encourage the participation of the members in planning and carrying out programs which affect them.
- D. To Provide Operating Requirements with Respect to
1. Authorizing the monies for facilities and equipment necessary to carry out the objectives of the Company.
 2. Appointing committees, when appropriate, and receiving reports and recommendations from the special or standing committees and taking appropriate action as a result of such reports.
 3. Selecting and employing a competent General Manager.
 4. Assigning to the General Manager the responsibilities as described in his position description, approved by the Board and delegating the necessary authority to carry out such responsibilities.
 5. Approving the selection of Engineering, Financial Management and Legal consultants, including the Company Attorney and approving a functional statement of his duties.
 6. Advising the General Manager, upon his request, in regard to specific managerial decisions which are his delegated authority to make and for which he is to be held accountable.
 - a. The Board of Directors shall avoid leaving the impression it is making decisions or giving instructions to the General Manager when only advice is intended or inferred.
 - b. The Board of Directors shall accept the responsibility for the end results of any action involved in a decision should it direct the General Manager to make specific managerial decisions.
-
- E. To Establish Measures and Controls which Can be Used in Appraising the Effectiveness of the Operations to be Accomplished by:
1. Reviewing periodic reports from the General Manager and checking for conformity to the approved viewpoints, objectives, major goals, plans and programs. These reports should be of sufficient scope to enable the Board of Directors to:

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- a. Prevent unauthorized action.
 - b. Determine how operations in key performance areas are progressing.
 - c. Predict trends and forecast results on the basis of trends.
 - d. Determine where changes or remedies are needed to prevent serious deviations and affect improvements.
 - e. Establish source of material for planning or replanning.
 - f. Measure performance against systematically planned and approved budget.
 - g. Measure performance against goals established in work programs and results expected thereunder.
2. Reviewing the annual financial audit and seeing that such remedial action as necessary is taken.
 3. Reviewing the independent management audit and seeing the recommendations if appropriate in the Board's judgement are carried through by receiving and reviewing regular progress reports.
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4. Reviewing the results of membership annual meetings that are held to adequately inform the members, to obtain their ideas and suggestions and, as a means of obtaining their understanding and acceptance of the Company's objectives, goals, policies, plans and programs.

IV. RESPONSIBILITY

- A. The Board of Directors shall be responsible for reviewing and approving a "Statement of Board Objectives and Functions."

ADOPTED: March 1976
REVISED: August 18, 1978

WELLS RURAL ELECTRIC COMPANY
Wells, Nevada

POLICY NO. 1-2

SUBJECT: POLICY OBJECTIVES, DEVELOPMENT, APPROVAL, RESPONSIBILITY,
ENFORCEMENT AND PENALTIES.

I. OBJECTIVES:

To establish the basis for the formulation, publication and distribution of written policies to be followed by the Board of Directors, General Manager, and other employed personnel for the conduct of the Company's business and affairs, to accomplish its viewpoints, objectives and plans and to fulfill its operational requirements.

II. POLICY DEVELOPMENT AND APPROVAL:

- A. The Board of Directors hereby recognizes its responsibility for policy development based upon planning through observation, study, and analysis of the affairs of the Company, which, together with the recommendations of the General Manager, will provide for policy content and responsibility.
- B. Policies will be developed and placed in written form; all Board approved policies shall be incorporated into a policy manual which shall be distributed to the Board of Directors, the General Manager, the Company Attorney, management personnel that report to the General Manager, and employees whose duties involve the implementation of any policy.
- C. The written format for each Board approved policy will be such that the policy objective, content, and specific responsibility for compliance is clearly and concisely stated.

III. RESPONSIBILITY:

- A. The Board of Directors is responsible for the review, consideration, and approval of all-inclusive and broad Company policies which reflect Board authority on what is to be accomplished in recurring situations by the operating executive and his operating management staff. The review may include any advice or opinion desired from the Company's Attorney.

ADOPTED: March 1976
REVISED: August 18, 1978
REVISED: July 19, 1985

WELLS RURAL ELECTRIC COMPANY
Wells, Nevada

POLICY NO. 1-2

SUBJECT: POLICY OBJECTIVES, DEVELOPMENT, APPROVAL, RESPONSIBILITY,
ENFORCEMENT AND PENALTIES:

- B. The requirements for Board approved policies are to be determined by the Board of Directors in consultation with the General Manager. The General Manager is responsible for all internal operational policies that are required relative to procedures necessary to interpret and implement Board policies and fulfill the General Manager's responsibilities as an operating executive.

IV. ENFORCEMENT AND PENALTIES:

- A. The General Manager, management personnel that report to the General Manager, and employees whose duties involve the implementation of any policy or policies shall be responsible to abide by and enforce compliance with the policies.
- B. In the event any employee of the Company, who has duties pursuant to A above, knowingly violates or fails to adhere to policy, which causes the Company any loss or damage, said employee shall be liable to the Company therefor, and the penalty relating thereto may be:
 - 1. Monetary liability for the amount of the loss or damages, or such portion thereof as may be reasonable;
 - 2. Loss or reduction of any incentive pay bonus; and/or
 - 3. Adverse treatment as to future promotions or pay raises.
- C. No penalty described in paragraph B, 1-3 above shall be taken without approval of the Board of Directors after the effected employee shall have been given a full opportunity to be heard and present evidence on his or her behalf.

NOI-3.PCY

WELLS RURAL ELECTRIC COMPANY
Wells, Nevada

POLICY NO. 1-3

SUBJECT: QUALIFICATIONS FOR DIRECTORSHIP

I. OBJECTIVES

- A. To state the opinions of the Board of Directors, based upon past and present experiences and future problems, on desirable qualifications which have been determined to be essential characteristics of those individuals who are elected to serve as directors.
- B. To provide, and to inform the membership on guidelines for those persons nominated and voted upon for service as a member of the Board of Directors of the Company.
- C. To provide the membership with a means of assuring themselves of the election of members to the Board of Directors who are qualified to carry out the ideals and objectives, formulate policy, develop plans and insure their execution.

II. POLICY CONTENT AND PROVISIONS

The Board of Directors of Wells Rural Electric Company has resolved that the policy contained herein shall be used as a guide when considering the qualifications for directorship.

- A. That any committees, member or members who nominate an individual to be voted upon for election to the Board of Directors of the Company shall be aware of and should carefully and seriously consider the following legal and other requirements and personal qualifications before such a nomination is entered. The person nominated:
 1. Must be willing to serve and hold office for a term of three (3) years and until his successor shall have been qualified.
 2. Should be aware that members of the Board of Directors do not receive any salary for their services, but rather serve on a fee basis only for time given to regularly scheduled and approved affairs of the Company plus reimbursement for all reasonable expenses in connection with such scheduled activities.
 3. Must be of legal voting age.

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4. Must be a member of the Company, receiving service and a bona-fide resident of the service area.
5. Must be willing to attend training programs which will aid in keeping him well informed on matters affecting the Company.
6. Cannot be employed by the Company.
7. Cannot have an outstanding account with the Company more than ninety (90) days past due, or have had an obligation to the Company written off as a bad debt, or be a principal in the ownership of a company or entity that has an outstanding account with the Company more than ninety (90) days past due or has had an obligation to the Company written off as a bad debt.

B. Members of the Board are encouraged to participate in the N.R.E.C.A. Annual Meetings according to the following criteria:

1. The company will limit the number of Board Members attending the N.R.E.C.A. Annual Meeting to ~~three~~ ^{Five} receiving full fees and expenses and that in the case that an N.R.E.C.A. Director is a member of this Company's board, he/she will not be included in the three.
2. Any other director is free to attend, however, their daily fee will not be paid. They will, however, be reimbursed actual expenses to cover their attendance.
3. The three attending will be elected on a rotation basis with new members receiving preference positioning in the rotation.

*Amend
Region II*

~~3~~ The guidelines for Region IX Meetings will be the same as the NRECA Annual Meeting guidelines with the following exceptions:

- a. ~~The number attending will be limited to 1/2 of the board, and~~
- b. ~~In the event the Region IX Meeting is held in Alaska, the number will be limited to three. (Alaska meetings would be available first to those who have not previously been to Alaska)~~

~~4~~ ~~3~~ The full board will be allowed to attend Region IX and Annual Meetings with full compensation within a 450 mile radius.

III. RESPONSIBILITY

- A. The President shall make certain that a copy of the provisions of this policy is given to each member of any nominating committee and further will cause such policy to be published periodically in any news media of the Company.
- B. The President is responsible for determining that this policy is adhered to and made known to interested persons at all times.

ADOPTED: March 1976
 REVISED: August 18, 1978
 REVISED: July 20, 1979
 REVISED: October 17, 1980
 REVISED: September 17, 1982

POLICY NO. 1-3a

Subject: Instructions to the Nominating Committee

I. OBJECTIVES of THESE INSTRUCTIONS

- A. To state the opinions of the Board of Directors on desirable qualifications which have been determined to be essential of those individuals who are elected.
- B. To provide and to inform the membership on guidelines for those persons nominated and voted upon for service as a member of the Board of Directors of Wells Rural Electric Company.
- C. To provide the membership with a means of assurance that those nominated are qualified to carry out the ideals and objectives, formulate policy, develop plans and insure their execution.

II. POLICY CONTENT and PROVISIONS

The Board of Directors of Wells Rural Electric Company has resolved that the policy contained herein shall be used as a guide when considering the "nominee's" qualifications for directorship.

- A. Any committees, member or members who nominate an individual to be voted upon for election to the Board of Directors of the Company shall be aware of and should carefully and seriously consider the following legal and other requirements and personal qualifications before such a nomination is entered.
 - 1. Should be willing to serve and hold office for a term of three ~~(3) years and until his or her successor shall have been qualified.~~
 - 2. Should be aware that members of the Board of Directors do not receive any salary for their services, but rather serve on a fee basis only for time given to regularly scheduled and approved affairs of the Company plus reimbursement for all reasonable expenses in connection with such scheduled activities.
 - 3. Must be of legal voting age.
 - 4. Must be a member of the Company or a representative of a member, receiving service and a bonafide resident of the service area.
 - 5. Must be willing to attend training programs which will aid in keeping him or her well informed on matters affecting the Company.
 - 6. Cannot be employed by the Company.
 - 7. Cannot have an outstanding account with the Company more than ninety (90) days past due, or have had an obligation to the Company written off as a bad debt, or be a principal in the ownership of a company or entity that has an outstanding account with the Company more than ninety (90) days past due or has had an obligation to the Company written off as a bad debt.

The foregoing is only a summary of the required qualifications of a member of the Board of Directors, and reference is made to the By-laws of the Company for a detailed description of said qualifications.

- B. That service as a Director shall include the following responsibilities for growth and development, for keeping themselves abreast and others informed, and for participating in all functions of the Board.
1. To expend the effort needed to understand the company's problems and, to provide the judgment needed to reach decisions in constantly changing circumstances.
 2. To support all official decisions and actions made or taken by a majority of the Board.
 3. To conscientiously study the information contained in reports submitted to the Board.
 4. To contribute to the development of statements on functions and responsibilities of Board members and to work toward their constant improvement.
 5. To objectively evaluate and consider the questions and problems with which the company is faced.
 6. To keep informed as to the ideals and objectives of the company and ~~to further study and analyze the policies, plans and problems which result from efforts to achieve such ideals and objectives.~~
 7. To keep informed on, alert to, and aware, of the attitudes of the members and general public toward the company's objectives and policies.
 8. To inform all interested persons about the company's ideals, objectives, programs and services.
- C. These instructions shall be in addition to existing provisions of the Articles of Incorporation and approved By-laws and is intended to serve as a guide in keeping nominating committees and members informed on their nominating and voting obligations.

III. RESPONSIBILITY

- A. The President shall make certain that a copy of these instructions is given to each member of any nominating committees and further will cause them to be published periodically in the news media of the company.
- B. The President is responsible for determining that this policy is adhered to and made known to interested persons at all times.

POLICY NO. 1-3 (c)

SUBJECT: GUIDELINES FOR POTENTIAL BOARD OF DIRECTOR CANDIDATES

I. OBJECTIVES OF THESE INSTRUCTIONS

A. To provide a guideline for Board of Director Candidates.

II. POLICY CONTENT AND PROVISIONS

The Board of Directors of Wells Rural Electric Company has resolved that the policy contained herein shall be used as a guide for potential candidates for the Board of Directors.

- A. 1. ^{Should} ~~Must~~ be willing to serve and hold office for a term of three (3) years and until his successor shall have been qualified.
2. Should be aware that members of the Board of Directors do not receive any salary for their services, but rather serve on a fee basis only for time given to regularly scheduled and approved affairs of the Company plus reimbursement for all reasonable expenses in connection with such scheduled activities.
3. Must be of legal voting age.
4. Must be a member of the Company, receiving service and a bonafide resident of the service area.
5. Must be willing to attend training programs which will aid in keeping him well informed on matters affecting the Company.
-
6. Cannot have an outstanding account with the Company more than ninety (90) days past due, or have had an obligation to the Company written off as a bad debt, or be a principal in the ownership of a company or entity that has an outstanding account with the Company more than ninety (90) days past due or has had an obligation to the Company written off as a bad debt.
7. Cannot be employed by the Company.
- B. That service as a Director shall include the following responsibilities for growth and development, for keeping himself and others informed, and for participating in all functions of the Board.
1. To expend the effort needed to understand the ~~Association's~~ ^{Company's} problems and, to provide the judgment needed to reach decisions in constantly changing circumstances.
2. To support all official decisions and actions made or taken by a majority of the Board.
3. To conscientiously study the information contained in reports submitted to the Board.
4. To contribute to the development of statements on functions and responsibilities of Board members and to work toward their constant improvement.

5. To objectively evaluate and consider the questions and problems with which the association is faced.
 6. To ~~keep~~ informed as to the ideals and objectives of the ~~Association~~ ^{Company's} and to further study and analyze the policies, plans and problems which result from efforts to achieve such ideals and objectives.
 7. To ~~keep~~ informed on, alert to, and aware of the attitudes of the members and general public toward the ~~Association's~~ ^{Company's} objectives and policies.
 8. To inform all interested persons about the ~~Association's~~ ^{Company's} ideals, objectives, programs and services.
- C. Members of the Board are encouraged to participate in the N.R.E.C.A. Annual Meetings according to the following criteria:
1. The company will limit the number of Board Members attending the N.R.E.C.A. Annual Meeting to three receiving full fees and expenses and that in the case that an N.R.E.C.A. Director is a member of this Company's board, he/she will not be included in the three.
 2. Any other director is free to attend, however, their daily fee will not be paid. They will, however, be reimbursed actual expenses to cover their attendance.
 3. The three attending will be elected on a rotation basis with new members receiving preference positioning in the rotation.
 4. The guidelines for Region IX Meetings will be the same as the NRECA Annual Meeting guidelines with the following exceptions:
 - a. The number attending will be limited to 1/2 of the board; and
 - b. In the the event the Region IX Meeting is held in Alaska, the number will be limited to three. (Alaska meetings would be available first to those who have not previously been to Alaska.)
 5. The full board will be allowed to attend Region IX and Annual Meetings with full compensation within a 450 mile radius.
- D. Handout Policy 1-4 (Board of Director - Manager Relationship) to each prospective candidate...
- E. Regular Meetings
1. The regular meetings of the Board will be held at the Company office at 1:00 p.m. on the third Friday of each month.
 2. An Agenda of the subjects to be considered at the meeting shall be mailed to all board members at least five days in advance of said meeting.
 3. All items to be placed on the Agenda shall be turned in to the Manager's office at least ten days in advance of the regular meetings.

4. Any item of an emergency nature that is not on the Agenda must receive a unanimous vote of the board members present to be placed on the Agenda.
5. All board members shall have loose-leaf binders with the Articles of Incorporation, Bylaws, existing rate schedules, policies and a schedule of institutes and seminars. Such loose-leaf binders are the property of Wells Rural Electric Company and must be returned to the office upon termination of office.

F. Special Meetings

1. When special meetings are called by duly constituted authority, all board members shall be notified, as far in advance as possible, of the time, place and agenda.
2. Board members shall inform the manager of their intentions of attending said special meeting.
3. As much information as possible shall be made available to the Board members and suggestions of possible places to receive more information shall be suggested, if possible.

G. Expenses

1. Meetings

- a. Directors will receive:

Below 1/4 working day - \$25.00
From 1/4 working day to 1/2 working day - \$50.00
From 1/2 working day to 3/4 working day - \$75.00
From 3/4 working day to 1 working day - \$100.00
From 1 working day to 1 1/4 working day - \$125.00

- b. Directors will be reimbursed for mileage traveled to attend board meetings, at the maximum rate allowable by the IRS per mile when using their own car.

2. Other Expenses

- a. Institutes, Workshops and Conventions shall be considered Company business for which Directors shall receive per diem & expenses for attendance, including travel time, based on the fastest way of travel. Payment for attendance at such institutes will be in accordance with II-A of this policy.
- b. No Directors shall attend any N.R.E.C.A. Institute the second time at Company expense, without previous Board approval.
- c. The Company will pay 50% of all the Group Medical Insurance cost for Directors.
- d. At each regular or special board meeting and at committee meetings, an expense voucher of Directors expenses will be prepared and signed to be paid in the thirty (30) day period following.

F. Hand out Policy 1-7 (Board of Directors) to each prospective candidate

III. RESPONSIBILITY

- A. The President shall make certain that a copy of the provisions of this policy is given to each member of any nominating committee and further will cause such policy to be published periodically in any news media of the Company.
- B. The president is responsible for determining that this policy is adhered to and made known to interested persons at all times.

WELLS RURAL ELECTRIC COMPANY
Wells, Nevada

NOI-6 PCY

POLICY NO. 1-4

SUBJECT: BOARD OF DIRECTORS - MANAGER RELATIONSHIP

I. OBJECTIVE

To establish the policy governing the basic relationship between the Board of Directors and the Manager, including the principles involving the delegation of authority.

II. POLICY CONTENT

Be it resolved that the Board of Directors of Wells Rural Electric Company recognizes, establishes and maintains the following guidelines in their relationship with the Manager.

- A. It is recognized that good management is the most important factor to the success of the Company. In exercising such management, the Board of Directors reserves its responsibility to establish policy, approve plans, and programs and delegate authority to its Manager, except those that are by law, the Articles of Incorporation and By-Laws of the Company conferred upon or reserved to its members.
- B. The Board of Directors recognizes its responsibility and its need to establish policies, approve plans and programs, and delegate authority to the Manager to execute and carry out its plans, programs and policies. The Manager shall, among other things, have authority to hire capable personnel within established wage scales, train and supervise and when necessary, replace them.
- C. All policies of the Board of Directors shall be promulgated at regular and special meetings, acting collectively as a Board and said policies shall be given the Manager by the President. It further recognizes that should any Director undertake to make commitments for the Board of Directors, the Director becomes involved in a serious breach of policy, which may be subject to rebuke from his fellow Board members should he attempt to make commitments unofficially for the Board. Therefore, the Board of Directors shall adhere to the Time-honored custom that its executive officer, the President, or in his absence the Vice President, shall be spokesman for the Board, except in cases previously authorized by the Board.

ADOPTED: March 1976

REVISED: August 18, 1978

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POLICY NO. 1-4

- D. It shall be the policy of the Board of Directors to refrain, as individuals from discussing management problems with the personnel of the Company, except in cases where the Board of Directors may deem it necessary to confer with personnel at regular or special meetings of the Board. This policy shall take precedence over any other and all policies that might seem to conflict.
- E. It shall be distinctly understood that the "flow" of authority for the management of the Company shall pass through the Manager, and the Manager shall be the connecting link between the Board of Directors and the personnel. The Board of Directors shall require full and complete information from the Manager concerning all matters in connection with the management of the Company as set forth in Board policies.
- F. Primarily, the purpose of this policy is to define the relationship that shall exist between the Board of Directors, who are elected representatives of the member - owners and the Manager, who is employed by the Board of Directors. The Board of Directors recognizes that efficient management of the Company can exist only through mutual understanding and complete cooperation between the Board of Directors and the Manager. The Manager is expected to produce results and give an account to the Board of Directors for his stewardship. His performance cannot be of the best unless he is given latitude to exercise independent judgement in executing policies of the Board of Directors. ~~The Board of Directors acknowledges that obligation, and gives the Manager that latitude of judgement and discretion, and expects faithful performance in carrying out all of the policies of the Board of Directors.~~
- G. The Board of Directors recognizes its responsibility for the employment of a Manager, and further the additional responsibility for a systematic appraisal of the Manager's performance of responsibilities in order that growth, development, replacement and effective improvement are encouraged.

III. RESPONSIBILITY

- A. The President of the Board of Directors shall be responsible for inviting the attention of the Board members to non-adherence to this policy.
- B. The Board of Directors standing committee on Performance Evaluation will be responsible for the systematic appraisal of the performance of the Manager, and the submission of their report to the full Board of Directors.

ADOPTED: March 1976
REVISED: August 18, 1978

WELLS RURAL ELECTRIC COMPANY
Wells, Nevada

POLICY NO. 1-5

SUBJECT: BOARD MEETINGS

I. OBJECTIVES

- A. To establish time and procedure for meetings; information to be available prior to meetings and conduct of meetings.

II. POLICY CONTENT AND PROVISIONS

The Board of Directors of Wells Rural Electric Company has resolved that the policy contained herein shall be used as a guide for the determination of the time and procedure for Board Meetings.

A. Regular Meetings

1. The regular meetings of the Board will be held at the Company office at 1:00 p.m. on the third Friday of each month.
 2. An Agenda of the subjects to be considered at the meeting shall be mailed to all board members at least five days in advance of said meeting.
 3. All items to be placed on the Agenda shall be turned in to the Manager's office at least ten days in advance of the regular meetings.
 4. Any item of an emergency nature that is not on the Agenda must receive a unanimous vote of the board members present to be placed on the Agenda.
 5. All board members shall have loose-leaf binders with the Articles of Incorporation, Bylaws, existing rate schedules, policies and a schedule of institutes and seminars. Such loose-leaf binders are the property of Wells Rural Electric Company and must be returned to the office upon termination of office.
- B. Special Meetings
1. When special meetings are called by duly constituted authority, all board members shall be notified, as far in advance as possible, of the time, place and agenda.

ADOPTED: March 1976
REVISED: August 18, 1978
REVISED: May 16, 1980
REVISED: August 19, 1980

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POLICY NO. 1-5

2. Board members shall inform the Manager of their intentions of attending said special meeting.
3. As much information as possible shall be made available to the Board members and suggestions of possible places to receive more information shall be suggested, if possible.

C. Board meeting minutes

1. The minutes of each regular or special Board meeting shall be mailed to each Director as soon as possible after the meeting.

ADOPTED: March 1976
REVISED: August 18, 1978

WELLS RURAL ELECTRIC COMPANY
ADOPTED: March 1976
REVISED: August 18, 1978
REVISED: March 16, 1979
REVISED: June 20, 1980
REVISED: September 19, 1985

POLICY NO. 1-6

BOARD MEMBER PER DIEM AND EXPENSES

I. OBJECTIVES:

- A. To establish procedure for per diem and expenses for Directors for their time and expense spent for the betterment of Wells Rural Electric Company.

II. POLICY CONTENT AND PROVISIONS:

The time in travel to and from a directors place of residence to a regularly scheduled directors meeting or a scheduled committee meeting will be considered by W.R.E.C. as company time.

A. Meetings:

1. Directors will receive:

Board Meeting Day ----- \$125.00 per day maximum, plus expenses.
Committee Meetings/if not held on Board Meeting Day:
----- \$ 50.00 if less than half a working day,
----- \$125.00 if more than half a working day.
Per Diem ----- \$30.00 per day.

2. Directors will be reimbursed for mileage traveled to attend board meetings, at .205 cents per mile when using their own car, plus .30 cents per travel mile to cover travel time.

3. President/ President Committee Expense:

If less than half a working day-----\$ 50.00
If more than half a working day-----\$125.00

B. Other Expenses:

1. Institutes, Workshops and Conventions shall be considered Company business for which Directors shall receive per diem and expenses for attendance, including travel time, based on the fastest way of travel. Payment for attendance at such institutes will be in accordance with II-A of this policy excluding the .30 cents per travel mile.
2. No Directors shall attend any N.R.E.C.A. Institute the second time at Company expense, without previous Board approval.
3. The Company will pay 50% of all the Group Medical Insurance cost for Directors.

POLICY NO. 1-6

4. At each regular or special board meeting and at committee meetings, an expense voucher of Directors expenses will be prepared and signed to be paid in the thirty (30) day period following.

III. RESPONSIBILITY:

It will be the responsibility of the Director's Expense Committee for the enforcement and review of this policy. This policy will be reviewed in February for presentation at the February board meeting.

WELLS RURAL ELECTRIC CO.
WELLS, NEVADA

POLICY NO. 1-6a

Subject: Member Committee Expenses

I. OBJECTIVES

- A. To establish procedure for paying mileage and out of pocket expenses for member committees that have been established by the board for certain duties for the betterment of the cooperative.

II. POLICY CONTENT AND PROVISIONS

A. Meetings

1. The committee member will not receive a salary or per diem for their attendance at meeting.
2. The committee members will receive the maximum IRS allowance for mileage to and from their place of residences.
3. The committee members will receive full reimbursement of out of pocket expenses incurred due to their attendance of meetings upon a presentation of a bona fide receipt of such expenses.

III. RESPONSIBILITY

It will be the responsibility of the Director's Expenses Committee for the enforcement and review of this policy. This policy will be ~~reviewed in February for presentation at the February board meeting.~~

WELLS RURAL ELECTRIC COMPANY
Wells, Nevada

POLICY NO. 1-7

SUBJECT: BOARD OF DIRECTORS

I. OBJECTIVES

To study and approve the objectives, policies, annual budget and other basic controls governing the administration of the affairs of the Wells Rural Electric Company; to establish and maintain legal entity for the continuing conduct of the business and for the maintenance of satisfactory service to the Members of the Company who desire and deserve the advantages of a better way of life; to select, fix the compensation, and designate the duties of the Manager, who shall be accountable for the management of the Company; to review periodic reports, including financial and operating statements of the Company's activities for conformity with established objectives, policies, and programs and to effect remedial action through the Manager, as required.

II. ACCOUNTABILITY

Responsible to: REA and Applicable Regulatory Agencies.
Responsible for: Attainment of Company objectives.

III. The By-laws of the Company establish specific rules and regulations regarding meetings of the Board and Members and other controls of Board action.

IV. SCOPE

All the corporate powers of the Company are vested in the Board of Directors. It is the Board's responsibility to approve objectives and the basic policies, principles, practices and general organization plan governing the administration of the Company's affairs.

The Board is responsible for selecting, fixing the duties, the compensation and conducting an annual appraisal of the performance of the Manager.

The Board shall maintain its responsibility for the control and general supervision of the operations and financial affairs of the Company through the approval of an annual operation budget and a capital expenditure budget; by reviewing periodic reports, financial and operating statements, and summary analyses of major operations in relation to authorized programs, and by affecting remedial action through the Manager whenever required.

ADOPTED: March 1976
REVISED: August 18, 1978

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POLICY NO. 1-7

Within the limits of the laws and governmental regulations under which the Company operates, the Board shall prescribe the general investment policies of the Company and approve all investments of the Company's funds.

The Board of Directors, individually and as a group, are responsible for continually promoting an understanding and acceptance of the Company's ideals, objectives and viewpoints among the members, the employees, the community, other companies, cooperatives and industries, local and governmental officials and the general public.

Finally, the Board is responsible for maintaining the financial soundness of Wells Rural Electric Company, and for seeing that it provides adequate, high quality electric service at the lowest possible costs; that the practices of the Company are fair and equitable to all its members, employees and the public; and that the Company encourages member participation in the program of expanding service to adequately meet the needs of the service area.

The Board will select the attorney, auditor and the consulting engineer. These professional consultants will be considered the "staff" of the Board, but will work with the Manager as directed by the Board.

ADOPTED: March 1976
REVISED: August 18, 1978