

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

August 19, 1983

The regular meeting of the Board of Directors of Wells Rural Electric Company was called to order on Friday, August 19, 1983 at 1:00 p.m. in the board room. President Vernon Dalton presided over the meeting.

Directors present were Vernon Dalton, Vernon Scott, Jesse Larsen, Joe Riordan, Daryl Eriksen, Mary Wright, Ray Crawford, Larry Bradshaw, John Krenka, Ferris Brough and Wanda Borden.

Present from the staff were Lee Standley, Patti Zander and Warren Linnell. Pete Van Der Meulen and Don Angell from Power Engineers were present and also Charlie Harper from REA.

Corrections to the minutes: The minutes of the July 15, 1983 board meeting will stand approved as written.

Additions to the agenda: Dick McDougal would like to comment on the Policy Committee's Report and discussion on an evaluation of the company.

Nominating Committee Report: Betty Wright, Chairperson of the Nominating Committee was present to give the committee's report. Those nominated and the order they will appear on the ballot are Daryl Eriksen, Vernon Scott, Jesse Larsen, Lois Nannini, Claudia Wines and Ferris Brough. JESSE LARSEN MOVED THE NOMINATIONS BE ACCEPTED. LARRY BRADSHAW SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

REA Loan Package: We drew down funds and paid off CFC. We are getting ready to draw down for construction purposes which would bring us to the halfway point.

WPPSS 4 & 5: It was called to the attention of the Board of Directors that all members of the Board of Directors in the year 1976, when the participants' agreements with Washington Public Power Supply System (WPPSS) were entered into, have been named as defendants in a suit entitled Chemical Bank vs. Public Utility District No. 1 of Benton County, Washington, et al., Civil Action C-83-1080 in the United States District Court of the Western District of Washington, and that said directors may also be included in other lawsuits brought by the trustee and/or boxholders of WPPSS, based on actions they took as directors of Wells Rural Electric Company (WREC) relating to the participants' agreements. Based on a historic review of the matter, it was the opinion of the board that the 1976 Board of Directors acted in good faith and in a manner which they believe to be, not opposed to, but in the best interest of the corporation. It was discussed that if members of the Board of Directors of WREC, acting in such a manner, were involved in litigation concerning their actions, that it would be in the best interests of WREC to bear the defense costs of any such action, subject to indemnity and reimbursement by the directors' and officers' liability insurance carrier, otherwise, it would be difficult to find responsible members of WREC willing to stand for election and serve as directors and/or officers of WREC. It was further recognized, that the good faith actions of the 1976 Board of Directors, and the proof thereof to the courts having jurisdiction of the lawsuits, will greatly aid WREC in the defense of the actions, in which it is also named as a defendant, and may very well prove to be the significant factors supporting the defense of WREC. The Board was advised by their general counsel that it was within its authority, based upon certain quorum and voting requirements, to expend corporate funds in the defense of the 1976 Board of Directors. The individual names of the Board of Directors involved and who may be further involved, in the

litigation, and to whom this resolution applies are: James L. Ballard, now deceased; D. Vernon Dalton; Clarence C. Swett; Ray Crawford; Glenn Wadsworth; Robert R. Wright, Eugene H. Pengelly, now deceased; Thomas Achurra, now deceased; William Gibbs; Arthur Grock; and John W. Krenka. After a thorough discussion of the matter, upon motion made by director Mary Wright, seconded by director Vernon Scott, it was passed by a majority vote of 8 in favor and 0 opposed, with directors D. Vernon Dalton, Ray Crawford and John W. Krenka abstaining.

RESOLVED: That the corporation pay, on behalf of the 1976 Board of Directors, namely: James L. Ballard, now deceased; D. Vernon Dalton; Clarence C. Swett; Ray Crawford; Glenn Wadsworth; Robert R. Wright; Eugene H. Pengelly, now deceased; Thomas Achurra, now deceased; William Gibbs; Arthur Grock; and John W. Krenka, certain expenses of litigation to which they have become obligated as a result of their service and actions as a member of the Board of Directors of the corporation during the year 1976, and relating to the corporation entering into certain participants' agreements with the Washington Public Power Supply System (WPPSS) and the subsequent failure of Projects Nos. 4 and 5, the termination of said projects, and the failure of WPPSS to pay its bondholders.

That the litigation costs shall include necessary attorney fees, litigation costs and related expenses relating the case of Chemical Bank vs. Public Utility District No. 1 of Benton County, Washington, et al., Civil Action C-83-1080 in the United States District Court of the Western District of Washington, all class action bond holder suits and other litigation that may arise and include said directors as defendants, while this resolution is in force and effect, and until termination thereof by further action of the board of directors of the corporation. This agreement to indemnify and pay litigation costs shall be subject to indemnity and payment of said costs and expenses by any and all liability carriers and shall be restricted to payment of those litigation expenses over and above those paid by the liability insurance carriers.

On motion made by director Vernon Scott, seconded by director Ferris Brough, it was passed unanimously by a vote of 11 in favor and 0 opposed;

RESOLVED: That with regard to the contractual payments claimed by the Washington Public Power Supply System (WPPSS) and the payments that have been made to Rainier National Bank at Portland, Oregon, the following is approved:

1. The release of the payments and funds that were held by Rainier National Bank as escrow holder to Wells Rural Electric Company;
2. The establishment of an interest bearing account or the purchase of money market certificates with the funds to be received from Rainier National Bank as the escrow holder;
3. That future payments claimed by WPPSS pursuant to the Participant's Agreement, be paid into the foregoing described interest bearing account or that money market certificates be purchased with the same; and
4. The foregoing provisions regarding the handling and investment of the funds and payments be in effect until further action of the Board of Directors, or until an order of court of competent jurisdiction directs the payments of the funds otherwise.

Wells Substation: Lee asked Pete of Power Engineers to informally get with the successful bidder on that job and try to determine what he was going to be looking at in the way of extras due to the delays involved. What the contractor was looking for was \$15,000. Power Engineers was able to get him down to \$10,239. His major problem was he had a labor increase of 10%. VERNON SCOTT MOVED WE ALLOW THE \$10,239 ADDITIONAL ON THE CONTRACT AND GIVE VERNON DALTON AUTHORIZATION THAT IF THIS LAND IS RELEASED TO SIGN THE CONTRACT. JOE RIORDAN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

The release of the mortgage is still in New York still waiting approval of Idaho Power's board.

Long Range Plan: It is still in the preliminary stage. Two copies have been issued to us for comment and one to Charlie Harper for comment. We would like to discuss the preliminary plan at this meeting. Power Engineers would like to finalize the long range plan in the next month.

Dick McDougal, Walt Sanders and Roy Phillips from Wendover Land Company came into the meeting. They wanted to meet with the board to see if any progress was made on the points Dick raised at the last board meeting. Vernon had Joe Riordan give the Policy Committee Report. Joe stated that the committee decided to stay with the contract the way it is on the project that is already completed. The committee is considering some changes that have not been approved yet. Joe went over the proposed changes for Dick.

Carlin Gold: We expect the permit to be issued by BLM within the next month for Carlin Gold. At that point in time, we have to secure private property easements which we do not anticipate to be a problem.

We need to give serious consideration to starting on the routing and environmental work on the line into Wendover. It needs to be built as soon as possible. We are still waiting for BPA's decision. We will set up a meeting for Friday, August 26th in Burley at 10:00 a.m. with Raft River, BPA, Power Engineers, WREC and Charlie Harper.

Land Purchase and New Office - Wells: Summitt Engineering took a look at our land and gave us a report. DARYL ERIKSEN MOVED WE DO NOT ACCEPT THIS REPORT OR PAY FOR IT. JOHN KRENKA SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

New Office - Carlin: The plans for the Carlin Office included a fence around the entire building but it did not fence in enough land. The fence got moved down from the north boundary about 150 - 200 ft. We need more money to enclose the whole lot. It would cost an additional \$5,125. VERNON SCOTT MOVED WE APPROVE THE ADDITIONAL FENCE. WANDA BORDEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. We did have a problem with the color schemes they have selected for the new building. Lee will appoint 2 members of the staff to present the final color scheme to the building committee.

Board Committee Reports: We went back to the Policy Committee. There were some changes made in the proposed changes on Rule No. 9 concerning Line Extensions. JOE RIORDAN MOVED THIS POLICY BE ACCEPTED AS CORRECTED. VERNON SCOTT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Director's and Manager's Expense Committee: The committee met July 29th. We have never really spent the maximum of our budget. We have always been under the limit. Looking at that, the committee did some shifting. For 1983, we should put down an actual increase of \$200. That went into meetings of other association. We also accrued a one time expense of \$2,000 and that went into the new Building Committee research. We readjusted the committee meeting expenses down \$1,900.

Meetings of other association was increased from \$5,000 to \$9,000. The Region IX we increased from \$5,000 to \$6,000. Accredited Schools was decreased \$2,900 reducing it from \$6,900 to \$4,000. Increase in the budget for 1984 to \$48,000. JESSE LARSEN MOVED THE DIRECTOR'S EXPENSE COMMITTEE REPORT BE ACCEPTED AS REPORTED. MARY WRIGHT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

The building committee met at 10:30 this morning. It was suggested that we travel to Pahrump, Durango, Littleton and Steamboat Springs on Tuesday, September 13th visiting these areas who have had new buildings built in the last 2 years. WANDA BORDEN MOVED WE ADOPT THIS REPORT. VERNON SCOTT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Safety Report: The Safety Meeting for July was held in the Board Room at the Wells Office on July 28, 1983 by Bud Calton, Safety Supervisor. There were no near misses or accidents to be reported. All vehicles were inspected for safety. As of August 10, 1983, we have logged 1,617 accident free days with no lost time. PCB hazards, Cleanup and Disposal was the main topic that was presented on (2) video tapes. Dan Kessler was also present at the meeting and added another excellent tape on the stringing of conductor over the freeway west of Wells that was done by our own line crew. Dan filmed all of this with the video camera. This was very well done and it was an excellent film on safety procedures as well as skill. The next Safety Meeting will be held on August 19, 1983 by Ruralite.

Construction Report: During the month of July, our Wells crew finished the 25 kV/12.5 kV double circuit line between the Four Way underground and the Shoshone 12.5 kV underground crossings. The 25 kV circuit will tie the Pequop feeder to the new substation. The 12.5 kV tie line will enable us to backup either of the underground crossings with the other in case of a failure. Having the 25 kV line on the south side of I-80 allows us to convert that side of I-80 to 25 kV. This will be done as soon as possible after our summer 25 kV peak, with the rest of Wells being converted to 25 kV as soon as possible. The Radar Hill tap off of line 1 is currently undergoing conversion to 14.4 kV to bypass the need for a 14.4 kV/7.2 kV stepdown station. The line 8 (Pequops) conversion to 25 kV and the addition of a neutral is progressing and should be completed by mid October prior to the winter storm season. This line will be put on the new substation after it is completed. With the completion of line 8 conversion, we will have completed all projects of converting all rural feeders to 14.4 kV/25 kV out of the Wells Sub. Bob Lutes is currently constructing a 2.4 mile 3 phase line to serve an existing 600 HP pumping station for Kaiser Chemical. This line is being built down a dike that was constructed for us by Kaiser and replaces a feeder that had 1.5 miles of line washed out by flooding. We should have the line energized by August 22, 1983. As soon as the water recedes, we will repair the old line thus looping the load and improving reliability in the area. A six pole primary extension to Don King in the Jiggs/Lee area was completed to serve his new residence. In addition, our crews have been very busy catching up on new services and old jobs.

Engineering Report: We are in the process of planning the service to the new Jim's Casino in Wendover. Bob Lutes' crew has started construction on the new line for Kaiser Chemical. The Wells crew is in the process of converting the radar hill tap to 25 kV. The stepdown bank will then be moved to the Cortney Dahl tap. We are preparing to build a line along the west boundary of the new city subdivision on Shoshone Ave. In Carlin, we will soon be reinsulating the Emigrant line. We have recently checked most of the line and are now waiting for the loan package to start. The pole test came back from Osmos and the results were good. Construction on the Nevada Crossing trailer park addition will start on August 15th. We are planning to have Lutes Construction do the work.

Outage Report: For the month of July, W.R.E.C. experienced 14 outages throughout it's system. 12 outages resulting in 93 consumer hrs. occurred in or near the Wells vicinity. 1 outage resulting in 3 consumer hrs. occurred at Oasis and 1 outage resulting in 2.5 consumer hrs. occurred in the

Jiggs/Lee vicinity. Total consumer hrs. of outage is 98.5 hrs.

Hydro Report: The hydro is still producing energy. The U3 Ranch has the grazing rights on the Forest Service land. Their cows were wandering all over the dam at the reservoir. They were ruining the dam. The water would wash the dam away. Gene had to put a fence around the reservoir. This solved the problem. The old pipe from the screen to the reservoir has another hole in it. The cows stepped on the pipe and put a hole in it. Now Gene will have to repair it. Also, up by the reservoir is another hole in the pipe. However, only two holes in this length of time, Gene feels very lucky. The pipe should be replaced in the near future. It will not carry enough water to run the hydro wide open. However, it is running very nicely.

Member Services Report: Dan just returned from the Utah Rural Electric Association Youth Energy Seminar. He participated as a counselor and conducted the "Coop Organization" portion of the class training and took numerous slides as well as video cassettes. A total of 59 kids from California, Nevada, Idaho and Utah participated. He was very proud of our Wells Rural Delegates as they were by far the best behaved and most involved. They will be attending a future board meeting. Dan passed out copies of the biographies and explained the changes on the ballot.

BPA Conservation Contract: BPA has proposed 2 new contracts. One on weatherization and one on street and area lighting. Dan discussed both programs with the board and will come to the next meeting with more information on cost breakdowns and with a recommendation.

We need to appoint an Election Committee. Those suggested were Donna Gailey, Lily Quilici and Marjean Kidner with Martha Eriksen and Yvonne Stuart as alternates. FERRIS BROUGHT MOVED WE ACCEPT THESE NAMES. JESSE LARSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Employee & Director Institutes & Schools: The UREA Annual Meeting is scheduled for November 14th and 15th at the Stateline in Wendover. Mary, Ray, Ferris, Wanda and Vernon Scott would like to attend the 539.2 school at the Region IX Meeting in Salt Lake City. Vernon Dalton would like to attend the Labor Relations seminar in Denver.

New Memberships: VERNON SCOTT MOVED WE APPROVE THE 15 MEMBERSHIPS FROM WELLS, 9 FROM WENDOVER, NV, 11 FROM WENDOVER, UT AND 10 FROM CARLIN. DARYL ERIKSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Manager's Report: We need a Voting Delegate for the NRECA Region IX Meeting. Last year Vernon Scott was the delegate and Daryl the alternate. We will wait until the September meeting, after elections, to select one.

We would like to hire a part time meter reader for Wendover. WANDA BORDEN MOVED WE HIRE A PART TIME METER READER FOR WENDOVER. JOE RIORDAN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

The evaluation of the company was brought up for a decision to be made on this. It would cost \$12,000 for the total evaluation. VERNON SCOTT MOVED WE HAVE THE TOTAL EVALUATION. WANDA BORDEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Clay Fitch wants to discuss the rates for a cost of service study. He had some suggestions and wanted to get the boards feelings on these. He suggested combining the residential rate and the rural residential rate into one class and a one step rate block instead of 2 steps. There were a couple of suggestions on the irrigation rate. He mentioned getting away from charging on a demand and

kWh usage basis and going to a horse power charge which is usually cheaper or eliminating both annual charges and putting the demand charge in the energy charge. The board does not care for the horse power charge because it is not a fair charge and the demand charge is more accurate. Also, on small commercial, make it a one step rate block. These are not definite changes. They are just guidelines for the next cost of service study.

Daryl mentioned that there is no meter reading date or number of days that you are billed for on our current bills. We will check into this.

The meeting adjourned at 6:40 p.m.

D.VERNON DALTON, PRESIDENT

WANDA BORDEN, SECRETARY