

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

September 16, 1983

The regular meeting of the Board of Directors of Wells Rural Electric Company was called to order on Friday, September 16, 1983 at 1:00 p.m. in the board room. President Vernon Dalton presided over the meeting.

Directors present were Daryl Eriksen, Vernon Dalton, Wanda Borden, Mary Wright, Vernon Scott, Joe Riordan, Claudia Wines, Larry Bradshaw, Ferris Brough, John Krenka and Ray Crawford. Bob Vaughan was also present.

Present from the staff were Lee Standley, Patti Zander, Warren Linnell, Clay Fitch and Dan Kessler.

The minutes of the August 19, 1983 meeting will stand approved as written.

Additions to the Agenda: Tom Ballew is here to talk with the board on his report on the 20 acres, Rule #9, Mock and Long and Salmon River.

Report on board election and election of officers: Vernon welcomed Claudia Wines to the board. Nominations for board officers were opened. Joe Riordan nominated Vernon Dalton for the office of President. John Krenka seconded the nomination. VERNON SCOTT MOVED NOMINATIONS BE CLOSED AND THE SECRETARY CAST A UNANIMOUS BALLOT. JOHN KRENKA SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Vernon Scott nominated Daryl Eriksen for Vice President. Wanda Borden seconded the nomination. JOHN KRENKA MOVED NOMINATIONS BE CLOSED AND THE SECRETARY CAST A UNANIMOUS BALLOT. MARY WRIGHT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Joe Riordan nominated Wanda Borden for Secretary-Treasurer. Daryl Eriksen seconded the nomination. VERNON SCOTT MOVED NOMINATIONS BE CLOSED AND THE SECRETARY CAST A UNANIMOUS BALLOT. DARYL ERIKSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Vernon Dalton read the election report. There were 486 ballots counted and 15 rejected for a total of 501 ballots. The total number of votes received by each candidate were: Daryl Eriksen - 268; Vernon Scott - 502; Jesse Larsen - 218; Lois Nannini - 214; Claudia Wines - 398; Ferris Brough - 362 with Daryl Eriksen, Vernon Scott, Claudia Wines and Ferris Brough elected. WANDA BORDEN MOVED WE ACCEPT THE ELECTION REPORT. DARYL ERIKSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

REA Loan Package: We have drawn down 50% of the total amount of the loan package from REA, therefore, must start getting funds from CFC the next time we need additional money for our work plan projects.

WPPSS 4 & 5: We have received the money from the WPPSS escrow account that was deposited in Rainier National Bank. It is now set up in Commercial Security Bank with the best interest rate available. We have carried one million dollar liability insurance and we were carrying it in 1976. That insurance carrier has agreed that we have liability under that policy to the extent of \$1,000,000. We are joining together as a group of either 12 to 15 participants that have this insurance carrier with this basic coverage. There is controversy as to whether we will have to pay the total amount after all of the WPPSS suits are settled or if we can pay along the way. The bondholders in the Chemical suit are all in the court of Washington. The investor owned utilities who have an interest in WPPSS 3 brought a cross claim in that suit which is terribly dangerous. WPPSS 3, which we are involved in, is called net billings. We don't pay any extra money to build WPPSS 3.

The payments we make to WPPSS 1 & 3 are deducted from our bill to BPA. The investor owned utilities who share in that plant have brought a cross claim to get an order of the court which would say, instead of building 3 at it's own speed and paying those bonds off over 40 years, they will complete that plant in the next 40 months and the participants will not use net billing but will be billed direct for these additional \$960 million of billing costs which would be at the rate of 24 million dollars a month over 40 months. Our percentage of that for this year is .00248, next year .00228 and .00214 thereafter. Our monthly bill would be \$59,000 for 1983 & 1984, \$54,000 for 1984 and 1983 and \$51,000 thereafter for a total billing of between \$616,000 and \$714,000 compared to our total revenues of \$2.1 and 2.7 million.

Tom Ballew - Summitt Engineering: Tom felt the cost of putting the private water system in was the main reason why the board rejected his report. He said the estimate he gave us was according to state law and per the fire marshall. He answered any questions the board had.

Land Purchase & New Office - Wells: This week REA contacted Lee and said that in order for them to make a decision on approval of that land, we have to comply with bulletin 28. This requires us to write to them and tell them that the suitability of the land is right, the price is right, the use will be right and it will satisfy our needs. At the same time, they told Lee to have Counsel comply with REA Bulletin 20-3 which is title requirements. On the general title matters, we have moved ahead on this basis. Bob must provide them a title binder. That binder is the title company saying that if this is property deeded to W.R.E.C., we will insure it. The title binder costs \$2,300 because they are insuring now what you will eventually put into the project. This has the provision that you won't settle with the title company without REA agreeing, that it will insure for the \$110,000 initially and automatically insure for every dollar put in to the property up to the face value. It has to show that it's subject to all of the REA mortgages. Bob has to send them a specimen policy of what they will be getting, a proposed deed, a plat and a certificate of a resolution of the board. When Jack Hunter did the appraisal, he said the property was not in the flood plain area. Wanda Borden excused herself from the meeting. REA Counsel called Bob Vaughan several weeks ago. When this contract was signed and entered into, it not only put a lien on all real property we own but immediately attaches to anything we acquire. If we close this transaction, a deed goes on record and there are millions of lien on that land. Then we give the seller deed of trust back and he is not first. If we close the contract the way it says, we are in immediate default with the seller. Bob needs to know how we want to present this to REA. (1) If REA and CFC would subordinate all of their liens to the seller, we want approval only on this basis; (2) Approve this contingent upon the seller saying he will take a deed of trust junior in priority; (3) Bob could present it to them both ways. DARYL ERIKSEN MOVED WE SEE IF WE CAN NEGOTIATE WITH BILL HYLTON AND SEE WHAT IT WOULD COST TO GET OUT OF THE CONTRACT. MARY WRIGHT SECONDED THE MOTION AND IT CARRIED WITH 5 IN FAVOR AND 4 OPPOSED. Joe Riordan, Vernon Scott, John Krenka and Ray Crawford. We will have Bob Vaughan negotiate with Bill Hylton on breaking the contract and hold up on policy title and REA approval of the ground. The Building Committee will look at other parcels of ground and come to the next meeting.

The Building Committee commented on the buildings that they visited. We will contact the architect that designed the Castle Rock and Coeur d'Alene buildings to see if they are interested in working with us.

Carlin Gold Contract: The PSC has a new secretary, Bill Vance. He contacted Bob Vaughan to see what the status was on Carlin Gold. He said he would wait to hear from us when we are ready to go. The Carlin Gold attorney called Bob Vaughan. He said they are getting pretty sure about wanting to go and hopes that we could have PSC approval by January. At that time, they would like to give the engineers approval to do all the hard and detailed engineering. They gave us a \$110,000 budget to

work with. We are about at the end of that budget. They said they would send us a letter giving us approval to use additional funds. We still need to get REA and CFC approval. We need BPA to give us a point of delivery at Elko. There is an attorney at Newmont who has known Peter Johnson all of his life and thought maybe if he called him he could get things moving.

We have been negotiating not only for a point of delivery in Elko but also in Wendover. At the meeting in Burley, BPA said they would make a routing decision by the end of that week. We were also told that if we did not get energy over there, that BPA had contingencies to serve that area. We then had a meeting in Jackpot. At that time, we were informed, by Power Engineers that BPA would have to have more meetings and the routing would be forthcoming the first part of the week. We requested a meeting with Peter Johnson and that was postponed indefinitely. The last report was that a routing selection might be along in October. It was decided to put some pressure on them politically. Vernon made some contacts and asked the staff, Power Engineers and Raft River to go thru him on this. We still have not heard anything from BPA on a routing decision.

Salmon River: In 1962, the University of Nevada - Reno owned Knoll Creek and built their own power line because they did not want to pay our minimums. They own the line and we have a contract to maintain the line at their expense. Salmon River now has this property. They want us to buy the line from them and continue to maintain it at our expense. The line is over 20 years old, is in poor condition and was not built to REA specs. It would cost \$10,000 to \$20,000 to get it in good condition and approximately \$50,000 to rebuild the line. There is 4 1/2 miles of line. Lloyd Shoemaker, Secretary, Maurice Fuller, Chairman and Bill Matters, board member, all from Salmon River were at the meeting to discuss this with the board. They want to give us this line and we will continue to maintain it. ON MOTION DULY MADE BY JOE RIORDAN AND SECONDED BY VERNON SCOTT IT WAS UNANIMOUSLY,

RESOLVED: That the offer of Salmon River Cattlemen's Association to transfer it's Knoll Creek line to the Company be declined and that the agreement relating thereto, entered into on September 28, 1962 with the University of Nevada be maintained until terminated pursuant to the provisions thereof and that the metering and delivery point will be moved to the primary metering point.

BPA has approved the Raft River routing for the Wendover point of delivery.

West Wells Substation: We received release of land from the New York bank. We have good title to the land and we have to get a title policy. We have to submit it to REA along with a copy of the recorded deed and a statement saying that no construction has started on the property and a plat and a resolution. The next business to come before the meeting concerned the proposed contract and the addendum thereto between Wells Rural Electric Company (herein "Cooperative") and Anderson and Wood Construction Co., Inc., (herein the "Contractor") for the station erection and materials for the West Wells Substation.

The matter was reviewed and discussed in detail, including but not limited to consideration of the following factors and conditions:

- a) the urgent need for the substation based on the fact that it was recently operating at total capacity and over prudent operating capacity;
- (b) the need for the substation to relieve overloading problems on other portions of the Cooperative's system;
- (c) the advantages of converting the Cooperative's Wells system to 24.9 kVl which requires the substation;

(d) the fact that the delay in construction was caused by problems incurred in securing clear title to the substation site, the said site being adjacent to the existing Wells Substation and the only logical location for the West Wells Substation.

(e) the fact that the delay was not due to any fault on the part of the Contractor;

(f) that since the Contractor submitted its proposal, it has incurred planned labor rate increases; which it would not have incurred if the original construction schedule had prevailed;

(g) the original proposal was received by competitive bidding and was \$48,011.00 less than the next low bidder;

(h) with the proposed increase of the contract price of \$10,293.00, the contract price will still be less than the next low bidder by \$37,718.00;

(i) the negative aspects of a re-bid of the project which would include six to eight weeks of delay, possible liability to the Contractor, additional costs of re-bidding and a probable increase in the contract bid cost; and

(j) the relative exposure of liability to the second lowest bidder if the contract was consummated as compared to the exposure to liability to the Contractor if the project was re-bid.

The board reviewed and took into consideration:

(a) the discussion and advice received and the verbal recommendation of Power Engineers, Inc. to enter into the contract as amended, given at the August 19, 1983 meeting of the board;

(b) the letter from Power Engineers, Inc. dated September 13, 1983 which recommends that the Cooperative enter into the proposed contract, which recommendation includes in detail the rationale upon which the recommendation is made, which detail and rationale was also considered;

(c) the verbal discussion and recommendation of Robert O. Vaughan, general counsel which recommendation was to enter into the proposed contract based on the legal and liability considerations as well as the above described practical and factual considerations; and

(d) the letter of opinion and recommendation of Vaughan, Hull, Copenhaver & Hansen, Ltd., that the Cooperative should enter into the proposed contract.

After completion of the discussion and full consideration of the matter, on motion duly made by Director Vernon Scott, seconded by Director Daryl Eriksen it was unanimously:

RESOLVED: That the Contract for Station Erection and Materials for the West Wells Substation being designated as Project No. 820524-WREC and also as Nevada-15-WREC, West Wells Substation, which contract includes (a) in entirety the contract documents for the above designated project that were used to obtain competitive bids and upon which on April 25, 1983 proposals were received and Anderson and Wood Construction Co., Inc. (herein "Anderson & Wood") was the low bidder at the bid price of \$591,919,00 (herein the "Contract Proposal") and (b) the Addendum to Contract for Station Erection and Materials for West Wells Substation, which Addendum amends the Contract Proposal in several respects (herein the "Addendum"), the Contract Proposal and the Addendum being herein referred to as the "Contract," now drafted in form of a firm contract between Anderson and Wood and Wells Rural Electric Company (herein the "Cooperative") be, and the same is hereby accepted and approved, subject to the approval of the Rural Electrification Administration (herein "REA") of the Contract and further subject to the completion of the

acquisition of the West Wells Substation site from Idaho Power Company, and the obtaining of goods, merchantable and insurable title thereto satisfactory to REA.

BE IT FURTHER RESOLVED: That in the event that the same may be required by REA, the additional contract price in the sum of \$10,293.00 as provided in the Addendum, shall be paid from general funds of the Cooperative.

BE IT FURTHER RESOLVED: That approval of the Contract by REA be sought on the basis of it's merits, on the basis of the unforeseen and unusual conditions and situations that exist, and by authority granted to REA pursuant to paragraph II C of REA Bulletin 40-6.

BE IT FURTHER RESOLVED: That the officers of the Cooperative be, and each of them is authorized in the name and on behalf of the Cooperative to execute the Contract and all other instruments and documents, make all such payments, and do all such other acts as in the opinion of the officers or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions. The opinion of counsel was read.

Mock & Long: About a month ago, Sierra Pacific changed their mind and said they would transfer the territory to us. On motion duly made by Mary Wright, seconded by Wanda Borden, it was unanimously:

RESOLVED: That the company jointly petition with Sierra Pacific Power Company to obtain from the Nevada Public Service Commission, a certificate of public convenience and necessity adequate to permit the company to provide service near the Carlin, Nevada area to the George Mock and Don Long residences and the Maggie Creek Ranch.

Rule No. 9: Bob Vaughan passed out typed copies of the complete Rule 9. A few other changes were made. On motion duly made by Wanda Borden, seconded by Daryl Eriksen, it was unanimously:

RESOLVED: Rule #9 of the company rules and regulations be amended effective September 16, 1983 in Nevada and in Utah subject to the approval of the Utah Public Service Commission, to read and provide as set out in the draft presented to this meeting, as amended, a copy of which shall be attached to the minutes.

Member Services Report: Dan Kessler sent both copies of the BPA Conservation Contracts to Bob Vaughan to review. Dan would like to recommend that we participate in the BPA street & area lighting program. VERNON SCOTT MOVED WE PARTICIPATE IN THE BPA STREET AND AREA LIGHTING PROGRAM. DARYL ERIKSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Dan also mentioned that we are trying to put the meter reading date on the bill.

New Office - Carlin: Wanda brought the color scheme for the building and presented it to the board. Wanda Borden, Vernon Scott and Larry Bradshaw were appointed as a committee to select a color scheme.

Long Range Work Plan: Power Engineers was here yesterday and met with members of the staff.

Board Committee Reports: The Retirement and Insurance Committee met this morning to consider the employee retirement benefit adoption agreement for 1984. Basically, they went along with the plan the way it has been. MARY WRIGHT MOVED WE ACCEPT THE COMMITTEE'S REPORT. VERNON SCOTT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Safety Report: The Safety Meeting for August was held at the Wells Service Center on August 19, 1983 by Ruralite Instructor, Joe Presley. There were no near misses or accidents to be reported. No

hazardous conditions were reported. All vehicles and tools were inspected for safety. As of September 6, 1983, we have logged 1,636 accident free days with no lost time. Pole Top Rescue and Hearing Conservation Program was the main topic of discussion presented by Joe Presley from Ruralite. The Annual Hotline School will commence on September 12th and run through Friday, September 16th. The attendance this year will be approximately 50 linemen from California, Idaho, Oregon, Washington, Wyoming, Montana and Nevada. The next Safety Meeting will be held on October 28, 1983 by Ruralite.

Construction Report: The new line for Kaiser Chemical has been completed and energized. Bob Lutes did an excellent job and his crew worked ten straight days to finish the job in record time. Repairs have been made on the transmission line between Wells and Wendover. The damage was caused by lightning. A line extension has been completed in Starr Valley for Joe Quilici's new cabin. A service for Jim Whited's new house has been completed. We have served a new trailer in Shantytown for Don West of Elko and a new line along Shoshone Ave. near the golf course has been completed.

Engineering Report: Bob Lutes is making good progress on the Nevada Crossing Trailer Park addition in Wendover. When he is finished with this project, his crew will return to the Rocky Point line. We have ordered two 1500 kva transformers for the new Jim's Casino and hope to start construction in the near future. State Line Casino is planning to start construction on four employee housing units near the existing State Line Inn. Staking sheets are being prepared for the re-conductoring of line 6 in Wells. (South Ruby Valley) We are preparing an estimate for the City of Wells concerning street lights along old Hwy. 40 extending east past the Motel 6.

Outage Report: For the month of August, W.R.E.C. had a total of 31 outages. Twenty three outages in the Wells vicinity, six outages in the Carlin vicinity and two outages in Wendover. This unusually high count of outages is due to the abnormally high amount of lightning storms that occurred during the month of August. The total number of consumers out of power was 2,973 with 3,451.85 hrs. of consumer outage.

Hydro Report: The hydro was off the line for a total amount of 130 hrs. One time was the 138 kv line was down. The other time was to repair the old pipe with it's many holes. Welding the old rusty pipe takes a lot of time. It is so thin that if Gene isn't careful, he will burn a bigger hole in the pipe. Due to down time, the hydro lost approximately \$747.50. Part of this was an Act of God. The other part was due to bad pipe. However, Gene feels very lucky that it is holding together as well as it is. Even though the hydro generated 79,000 kWh, projected on an average kw sold basis, it made the company \$3,950. This is not bad for this time of the year. Next month, Gene feels the production will be down due to the lack of water. We will look into the cost of replacing the pipe and work it in to the 1984 budget.

Copies of the board committees were passed out for each board member to put down their preference for serving on the different committees so the list can be updated.

New Memberships: VERNON SCOTT MOVED WE APPROVE THE 24 MEMBERSHIPS FROM WELLS, 9 FROM CARLIN, 12 FROM WENDOVER, UT AND 4 FROM WENDOVER, NV. LARRY BRADSHAW SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Manager's Report: Vernon Scott, will be the CFC voting delegate at the Region IX Meeting in Salt Lake City and Daryl Eriksen will be the alternate. Mary Wright will be the NRECA Voting Delegate and Ray Crawford the alternate. Daryl Eriksen will be the voting delegate to vote for the regional director and Larry Bradshaw the alternate.

The executive committee will meet at 4:30 p.m. on Wednesday, September 21st to set up the new committees.

The meeting adjourned at 7:00 p.m.

D. VERNON DALTON, PRESIDENT

WANDA BORDEN, SECRETARY