

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

April 13, 1984

The regular meeting of the Board of Directors of Wells Rural Electric Company was called to order on Friday, April 13, 1984 at 2:00 p.m. The meeting was held in the Wells office and presided over by President Vernon Dalton.

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

Present from the staff were Lee Standley, Warren Linnell, Dan Kessler, Clay Fitch, and Tommi Reynolds. Jim Copenhaver, attorney from Bob Vaughan's office, was also present.

CORRECTIONS TO THE MINUTES

Corrections to the March 16, 1984 minutes were noted and have been made per Addendum 1. The minutes will stand approved as corrected.

ADDITIONS TO THE AGENDA

Ray Crawford told the Board that Larry Herron, representing the Silversmith Casino, would like the Board to reconsider its previous decision regarding the Casino's method of payment due WREC for substation costs.

Lee Standley told the Board that Wes Bowlen wished to appear before the Board with a request for consideration of certain policy changes that might be made to make Board Meetings more open to Coop members (Exhibit I).

As there were no objections from the Board these two items were added to the day's agenda.

RATE INCREASE

Clay Fitch reported on the April 5th meeting with members of the Utah Public Service Commission in an effort to determine a method of allocating costs of service to Wendover, Utah consumers. It was decided that these costs could be allocated based on demand.

A plan for equalizing rates was also discussed. Costs of service studies will be made and the results brought before the Board at a future meeting. Consumer rates will be adjusted to provide an appropriate rate of return for the Company based on the cost of service studies.

Clay noted that the U.P.S.C. was receptive to both cost allocating and rate equalization. He further noted that the Commission was not opposed to rate increases when justified by appropriate cost studies and that the Commission felt smaller annual rate increases were preferable to large increases introduced after long periods of no increase.

REQUEST FOR OPEN MEETINGS

At 2:15 p.m. Wes Bowlen, a Wells area consumer, appeared before the Board to ask that it consider changing some of its policies. He requested the following:

1. that the agenda for regular Board Meetings be made public via local newspaper(s) prior to meeting dates.
2. that these regular meetings be open to the public and the press.
3. that each Director's vote on motions before the Board be registered as in-favor or opposed and that this information be available to the public.

Mr. Bowlen told the Board that the Coop's growth has been such that consumers no longer know the Directors on a personal level and that without this contact the consumer has no real basis for his vote when electing Directors.

Mr. Bowlen noted that a closed meeting implies that the Board has something to hide.

He left the meeting at 2:25 p.m.

The Board agreed to move on to the next item on the agenda and to discuss Mr. Bowlen's proposition later in the meeting.

REA LOAN PACKAGE

Lee Standley told the Board that he had Charlie Harper's assurance that the loan package had been sent to Washington.

Vernon Dalton commented that he felt our congressmen and Senators should be made aware of the loan and asked to do what they can to insure prompt action is taken on it. The Board agreed.

WEST WELLS SUBSTATION

Lee Standley told the Board that the tap to the station has been delayed a week but will be made April 26th and that it should be operational May 4, 1984. Per their request a letter has been sent to Idaho Power and BPA assuring them that no additional load would be added without first notifying Idaho Power Company and BPA.

WENDOVER POINT OF DELIVERY AND TRANSMISSION LINE

Jim Copenhaver reported on acquiring rights-of-way for the transmission line. In reviewing the line with the Bureau of Land Management it was revealed that part of a proposed location for the northern section of line lies in a peregrine falcon introduction area. This may cause a delay in firming up the exact location of the right-of-way through that area.

Mr. Copenhaver told the Board that to meet construction deadlines it would be advisable for WREC to stagger construction, working in those sections where rights-of-way are firm first, while proceeding with whatever actions are needed to acquire firm rights-of-way in the remaining sections.

Mr. Copenhaver suggested that the Board allocate use of additional funds (estimated to be between \$10,000.00 and \$25,000.00) to be used to finance additional appraisals for possible relocation if the routing has to be changed. BLM's introduction of the peregrine falcon may affect the routing.

Mr. Copenhaver reported that he had contacted the appraiser and found that he could have the preliminary cost figures for the rights-of-way for the line the first week in May.

With these things in mind WANDA BORDEN MOVED TO INCUR THE ADDITIONAL COSTS AND TO

HAVE THE APPRAISER GET STARTED. VERNON SCOTT SECONDED THE MOTION. THE MOTION PASSED UNANIMOUSLY.

Lee Standley noted that he had spoken with BPA and that the preliminary lease agreement for this line should be on its way to Wells for review.

CARLIN GOLD CONTRACT

Mr. Copenhaver again addressed the Board. He said that he had been in contact with Sierra Pacific and that they had some concerns regarding WREC's application for additional territory. Mr. Copenhaver felt that the concern is that BPA and Sierra have not as yet formalized an agreement, though both sides believe that an agreement will be reached. Sierra wants to bring this to the attention of the Nevada Public Service Commission staff. Mr. Copenhaver has argued that this is not necessary. The main reason for the delay in formalizing this agreement involves firm versus non-firm power delivery. BPA's lack of assurance of firm power delivery concerns Sierra and will delay PSC action. Mr. Copenhaver will continue to explore this in the next few weeks.

NEW OFFICE - CARLIN

Final payment to the contractor has not yet been made. Jim Copenhaver told the Board that a notice of completion of construction was filed on March 28, 1984; no liens can be filed after forty days have passed from the filing date. Mr. Barrington has posted a \$290,000.00 payment and performance bond and has signed a document stating that only four people remain to be paid. The bond insures payment of these people. It was recommended that joint checks be made out to these people for the amount due. Based on these things it seemed advisable for WREC to go ahead with final payment to Mr. Barrington as soon as the architect gives the certificate of final completion.

NEW OFFICE - WELLS

Land Purchase*

Mr. Copenhaver reported that Bill Hylton's attorney had indicated that the \$25,000.00 payment would be acceptable but did not want the payment contingent on an agreement of purchase with the Nuttals.

He also reported that the Nuttal's attorney had proposed a counter offer, leaving the price and interest rates the same but asking for a 25% down payment and payoff in four years.

Bob Vaughan has offered a contract to that effect to the Nuttal family. Their acceptance of the contract would free payment to Mr. Hylton. Final negotiations regarding the down payment and payoff time would, however, continue. Any contingencies placed on the contract would have to be removed within 150 days of execution of the contract.

After thorough discussion MARY WRIGHT MOVED TO KEEP HYLTON'S PAYMENT CONTINGENT ON THE NUTTAL'S ACCEPTANCE OF THE OFFERED CONTRACT. DARYL ERIKSEN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

New office

Preliminary information regarding Bob Hope's fees was given to each Director (See Exhibit II) - Wanda Borden returned to receive this information. Further discussion on the new office was postponed until later meetings.

A short recess was taken.

LAND PURCHASE RESUMPTION

When the meeting resumed Wanda Borden again left the room.

VERNON SCOTT MOVED TO AUTHORIZE APPROVAL OF THE AGREEMENT OFFERED TO THE NUTTALS. DARYL ERIKSEN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

COMPUTER SURVEY REPORT**

Clay Fitch gave each Director a copy of the computer report (Exhibit III). He reviewed the report with the Board and told its members that the staff recommended purchasing the CAPS (In-House) computer system from Central Area Data Processing Corporation, rather than purchasing the IBM in-house system from Oregon Computer Center.

It was noted that expansion within the Central Area system would be over a fairly long time span and that most of the change-over would occur when the new Wells office is constructed.

After thorough discussion of the CAPS system and its alternatives DARYL ERIKSEN MOVED TO STAY WITH CENTRAL AREA FOR WREC'S COMPUTER NEEDS. WANDA BORDEN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

POWER SUPPLY

Joe Riorden called the Board's attention to a letter sent to each Director from the law firm of Riddell, Williams, Bullitt and Walkinshaw. The letter seemed to broach the possibility of the firm's being named in the WPPS suit. Should this be the case it might be advisable to seek the advice of another law firm.

As the exact intent of the letter was unclear the Board agreed to seek clarification from its author.

NON-FIRM IRRIGATION RATE

Lee Standley told the Board that the May-July program would not be available as previously announced but that the non-firm rate (60% of regular rate) would be available to irrigators for the month of May only.

After discussion of the desirability of this program JOE RIORDAN MOVED TO AUTHORIZE WREC TO ENTER INTO A CONTRACT WITH BPA TO PROVIDE IRRIGATORS WITH NON-FIRM RATES FOR THE MONTH OF MAY. CLAUDIA WINES MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

*For reasons of possible conflict of interest Wanda Borden left the meeting for this discussion.

**Wanda Borden returned for this, and all further discussion.

MAY LEGISLATIVE REPORT

Vernon Dalton told the Board that appointments had been set up with Barbara Vucanovich and Paul Laxalt for those members attending the Rally. Staff from the offices of Laxalt, Vucanovich and Hecht will attend the breakfast. A response from Harry Reid's office had not yet been received, nor had an appointment been set with Chic Hecht.

BOARD COMMITTEE REPORTS

Ray Crawford reported that the Director and Manager Expense Committee had met that morning. The committee recommended combining miscellaneous expenses with Board Meeting expenses, and raising the 1985 Committee Meeting budget to \$12,000.00 from \$6,000.00. The total recommended budget was for \$58,000.00. As there was no opposition from the Board RAY CRAWFORD MOVED TO SUBMIT THE \$58,000.00 BUDGET. FERRIS BROUGH MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY. Clay Fitch was directed to take the necessary steps to combine expenses as recommended.

OPERATIONS REPORT

Lee Standley told the Board that a transformer had blown up in Carlin. As a result of this oil was sprayed on a resident's lawn. It was confirmed that the oil contained PCB'S.

Clean up was done entirely in an Environmental Protection Agency approved manner, and at a cost of approximately \$23,000.00. Warren Linnell noted that it was hoped insurance would cover the cost. He further emphasized that clean up was according to EPA standards and that a program to eliminate all PCB contaminated transformers from the system is being followed with as much haste as possible.

EMPLOYEE AND DIRECTOR INSTITUTES AND SCHOOLS

Vernon Dalton told the Board that a highly recommended legal seminar will be offered this summer. He expressed his desire, with Board approval, to attend. Ray Crawford also wished to attend. There was no opposition from the Board.

ANNUAL MEETING REPORT

Dan Kessler told the Board that this year's Annual Meeting was shaping up well. Mary Wright commented that the reasons for WREC's recent growth should be clarified for consumers at the Annual Meeting. Mr. Kessler assured her that this topic would be addressed in several ways.

NEW MEMBERSHIPS

VERNON SCOTT MOVED TO ACCEPT FOUR NEW MEMBERS FROM WELLS: FIVE FROM CARLIN: TWENTY-NINE FROM WENDOVER, UTAH AND NINE FROM WENDOVER, NEVADA. JOHN KRENKA MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

WEST WENDOVER CASINO

Ray Crawford gave each director a copy of a letter from Larry Herron that was addressed to Warren Linnell (Exhibit IV). This letter was a response to the Board's action, at its last meeting, to deny the Silversmith Casino's request to delay payment.

Mr. Linnell explained that the Casino was, again, offering to pay \$54,000.00 in cash, now, but would like the remaining \$54,000.00 to come from retained power credits.

After discussing the situation and the possible repercussions of various payment options the Board voted to reverse its previous decision. It was generally felt that the Casino was, indeed, very short of funds and that to press for the total cash amount would place a hardship on the Casino which would be felt by the Wendover community as well.

MARY WRIGHT MOVED TO ALLOW THE SILVERSMITH CASINO TO PAY \$54,000.00 IN CASH NOW, AND TO RETAIN POWER CREDITS FOR THE REMAINING \$54,000.00. VERNON SCOTT MADE THE SECOND. THE MOTION CARRIED WITH A VOTE OF TEN IN FAVOR AND ONE OPPOSED. Wanda Borden cast the opposing vote.

COMMENTS ON WES BOWLEN'S REQUEST

The Board discussed Mr. Bowlen's request for open Board Meetings. Several Directors expressed their belief that the Board had nothing to hide from the public. Some reservations were expressed regarding the press's accuracy in reporting. After further discussion of Mr. Bowlen's proposals the Board agreed to have the Policy Committee and an attorney review the proposals and make recommendations as to what changes should be made, and the proper procedure to follow in making them. The Committee will then report back to the Board.

MANAGEMENT REVIEW

Vernon Dalton gave a very brief review of Jeff Smith's findings as presented to the Board that morning. The Management and Board received favorable comments. A copy of the report was given to Lee Standley to share with the staff.

WENDOVER OFFICE

Lee Standley told the Board that an eye doctor in Wendover has requested to share part of WREC's space. This would involve putting in a door and enclosing an area between the two buildings. The doctor would pay all expenses and would not be infringing on space WREC needs. VERNON SCOTT MOVED TO ALLOW THE DOCTOR TO MAKE THESE CHANGES. RAY CRAWFORD MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

PUBLIC POWER COUNCIL

Lee Standley then told the Board that the Public Power Council was asking for \$240.98 to be contributed to a special fund to be used to finance a rate information committee. The committee will monitor the 1985 BPA rate increase WANDA BORDEN MOVED TO ALLOCATE THE FUNDS. DARYL ERIKSEN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

Lee Standley read a PPC request for the Board to pass a resolution regarding rate increase protection. DARYL ERIKSEN MOVED TO ADOPT THE RESOLUTION AS WRITTEN, To be attached to the minutes as Exhibit V . JOE RIORDAN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

ERNST & WHINNEY REPORT

Lee Standley asked for questions regarding the financial review sent to each Director. There were none. If a representative from Ernst & Whinney will come before the Board in person to comment on the financial review free of charge this will be requested.

COMMITTEE MEETINGS

The Policy Committee will meet April 24, 1984 at 9:00 a.m.

The Safety Committee will meet April 18, 1984.

The June 15th Board Meeting was changed to June 22, 1984.

EMPLOYEE AND DIRECTOR INSTITUTES AND SCHOOLS

Ray Crawford and Claudia Wines asked for the Board's approval to attend a 500.2 seminar in Big Sky Montana this summer. The Board had no objections.

The Meeting was adjourned at 5:58 p.m.

D. Vernon Dalton, President

Wanda Borden, Secretary