

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

May 18, 1984

The regular meeting of the Board of Directors of Wells Rural Electric Company was called to order in the board room of the Wells office on Friday, May 18, 1984 at 1:05 p.m. President Vernon Dalton presided over the meeting.

Directors present were Vernon Dalton, Vernon Scott, Joe Riordan, Claudia Wines, Ray Crawford, Larry Bradshaw, Wanda Borden, Mary Wright, Daryl Eriksen and Ferris Brough. John Krenka was not in attendance.

Present from the staff were Lee Standley, Clay Fitch, Warren Linnell, Dan Kessler, and Tommi Reynolds. Robert Vaughan, attorney, was also in attendance.

CORRECTIONS TO THE MINUTES

WANDA BORDEN MOVED TO APPROVE WORDING OF THE RESOLUTIONS TO PARTICIPATE IN BPA NON-FIRM POWER FOR IRRIGATORS IN MAY. CLAUDIA WINES MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY. The resolution, as worded by Clay Fitch and signed by Wanda Borden will be made a part of the April 13 minutes. There were no other corrections to these minutes.

ADDITIONS TO THE AGENDA

Wanda Borden asked that the Board reconsider NRECA's request for a member's list. As there were no objections from the Board this was added to the agenda.

WEST WELLS SUBSTATION

Bob Vaughan told the Board that as soon as he received word of the total cost of the substation, the title policy could be written for that amount. Warren Linnell reported that the paperwork should be completed in four to six weeks.

WENDOVER POINT OF DELIVERY AND TRANSMISSION LINE

Rights-of-Way

Warren Linnell reported that the U.S. Fish and Wildlife Service and the Nevada Department of Wildlife have decided there is no impact against the area of introduction of the peregrine falcon. All paperwork for the construction and loan is complete. Bob Vaughan noted that, to date, \$6,700.00 has been spent on appraiser fees and that work done in his office was running about \$3,000.00. Vaughan further noted that he has all but 14 or 15 descriptions, and that he can have rights-of-way or court orders to get access by the end of July. Based on this, bids could be let in August. Payment for rights-of-way was thoroughly discussed. At Bob Vaughan's recommendation, ON MOTION DULY MADE BY WANDA BORDEN, SECONDED BY JOE RIORDAN, AND PASSED WITHOUT OPPOSITION IT WAS:

RESOLVED: TO PURCHASE THE RIGHTS-OF-WAY AT THE APPRAISED VALUE PLUS TEN PERCENT, OR FOR \$100.00, WHICHEVER IS THE GREATER PRICE; BUT TO NEGOTIATE THE

WENDOVER RIGHTS-OF-WAY.

Walt Leberski, from Vaughan's office, will negotiate with Wendover and with two other landowners who may be opposed to yielding the right-of-way across their properties. Members from the WREC staff will personally contact any other landowners who may be likely to refuse the initial right-of-way offer. Vaughan further noted that some rights-of-way will have to be obtained by condemnation.

BPA Lease

The BPA contract currently has a three year termination clause; the amortization component and interest are fixed; Operations and maintenance is subject to mutual agreement.

Bob Vaughan recommended seeking changes as follows:

1. A 20 to 35 year lease agreement.
2. A fixed amortization component but interest to be subject to adjustment.
3. Operations and maintenance tied to actual operations and maintenance.

The WREC staff will work with Vaughan and his staff before presenting these points to BPA.

CARLIN GOLD PROJECT

Sierra Pacific has agreed to send a letter of non-protest to the Nevada Public Service Commission. Sending this letter was contingent on WREC's amending it's application to say that WREC has a non-firm power source at Elko until there is a contract for firm power with BPA. The application has been amended as requested by Sierra.

NEW OFFICE - CARLIN

The lien period has expired; no liens were filed.

LAND PURCHASE AND NEW OFFICE - WELLS

Nuttals

The Nuttal family has asked for two changes in the offered contract:

1. A reduction from 150 to 90 days to get approvals.
2. The Nuttal family will maintain gas, oil and mineral rights.

Bob Vaughan feels that there is no problem with reducing the number of days. The contract has been reworked so that the Nuttals will retain the gas, oil and mineral rights. The contract clearly states, however, that surface rights will not be disturbed.

Hylton

WREC has a right-of-way on the northerly edge of the Hylton property. Currently the line is out of the right-of-way. Consistent with Hylton's desire, Vaughan has sent a contract stating that WREC would move the line back at Company cost if Hylton so requests. If, however, Hylton (or any future owner) wants power off the line, the right-of-way will be granted to WREC by that owner.

POWER SUPPLY

WPPSS

The investor owned utilities are asking the courts to order completion of Project #3. One possible means of completion is to bill construction costs as incurred. The Court has ruled that BPA cannot guarantee WPPSS loans and can't make direct payments on the #3 loans. If completion is ordered, it is hoped construction costs would be billed to BPA consumers. Insurance is picking up almost all current legal fees incurred by WPPSS.

Conflict of Interest

If Vaughan's firm should be named as defendants in the WPPSS suit, the firm of Riddell, Williams, Bullitt and Walkinshaw would be the logical one to represent Vaughan's firm. Riddell, Williams could not take case without the Board's assurance that it felt there was no conflict of interest. With this in mind* ON MOTION DULY MADE BY VERNON SCOTT AND SECONDED BY MARY WRIGHT, IT WAS UNANIMOUSLY:

RESOLVED: THAT THE BOARD OF DIRECTORS OF WREC STATES THAT IT DOESN'T THINK THERE IS A CONFLICT OF INTEREST AND IF THERE IS, THE BOARD WILL WAIVE IT FOR THE PRESENT.

BOARD COMMITTEE REPORTS

Policy Committee - Scholarship

The next item to come before the Board involved WREC scholarship applicant qualifications. On advice of the policy committee and after full discussion of the matter, ON MOTION DULY MADE BY JOE RIORDAN AND SECONDED BY VERNON SCOTT, IT WAS UNANIMOUSLY AGREED TO ADOPT THE FOLLOWING ADDITION TO THOSE QUALIFICATIONS IN POLICY NO. 9-1:

"APPLICANT MUST NOT HAVE A PARENT WHO IS DIRECTLY EMPLOYED AT WELLS RURAL ELECTRIC COMPANY OR SERVING ON THE BOARD OF DIRECTORS."

* Bob Vaughan left the meeting for this discussion and voting.

In further discussion, it was agreed to have the Scholarship Committee study the current application form and suggest possible improvements.

Policy Committee - Member Committee Expenses

To establish procedure for paying mileage and out-of-pocket expenses for member committees, the Policy Committee proposed Board acceptance of Policy No. 1-6a (Exhibit I).

JOE RIORDAN MOVED TO ADOPT POLICY NO. 1-6a, VERNON SCOTT MADE THE SECOND. AFTER FULL DISCUSSION, THE MOTION CARRIED UNANIMOUSLY.

Policy Committee - Nominee Qualifications

The next item presented to the Board by the Policy Committee involved the policy to be used as a guide when considering the "nominee's qualifications for directorship. With Bob Vaughan's counsel and after full discussion, ON MOTION DULY MADE BY JOE RIORDAN AND SECONDED BY VERNON SCOTT IT WAS VOTED UNANIMOUSLY TO ALTER POLICY NO. 1-3a AS FOLLOWS:

Under II, "Policy Content and Provisions subheading A., first paragraph, TO CHANGE THE FIRST WORD "MUST" TO "SHOULD" AND, under the same subheading. TO ADD PARAGRAPHS 8 AND 9, WHICH WILL READ "SHOULD BE A CITIZEN OF THE UNITED STATES" AND "SHOULD BE ABLE TO READ AND WRITE THE ENGLISH LANGUAGE."

The Board then discussed possible guidelines for potential candidates for the Board of Directors and the possibility of holding certain Board Meetings in the Carlin and/or Wendover offices. Further discussion of these items will take place at the next Board Meeting.

Policy Committee - Open Board Meetings

Wes Bowlen's request for open Board Meetings was the next topic for discussion. Joe Riordan told the Board that the Policy Committee had studied Mr. Bowlen's requests. The committee suggested that the agenda be posted in the Wells, Carlin and Wendover offices prior to meeting date. The Committee further recommended that a summary of the minutes be published in the Ruralite Magazine.

ON MOTION MADE BY JOB RIORDAN, AND SECONDED BY VERNON SCOTT, THE BOARD UNANIMOUSLY VOTED TO ADOPT THE SECOND PARAGRAPH UNDER "POLICY AND PROCEDURE, OF PROPOSED POLICY NO. 13, TO CAUSE THE AGENDA TO BE POSTED IN WREC'S WELLS, CARLIN AND WENDOVER OFFICES PRIOR TO MEETING DATES. (Exhibit II)

The Board agreed that the Ruralite Magazine would be a good place to publish news of the meetings. It was felt that the magazine is a timely and economical way of reaching all member-consumers. It was pointed out that certain confidential matters which come before the Board, e.g. regarding bid information, should not be included in material for publication.

ON MOTION MADE BY WANDA BORDEN, SECONDED BY MARY WRIGHT AND AFTER LENGTHY DISCUSSION, THE BOARD VOTED UNANIMOUSLY TO ADOPT THE SECOND AND THIRD PARAGRAPHS OF THE PROPOSED POLICY 13, UNDER "POLICY AND PROCEDURE," TO CAUSE THE AGENDA TO BE POSTED IN WREC'S OFFICES PRIOR TO MEETING DATES AND TO CAUSE A SUMMARY OF ACTIONS TAKEN AT BOARD MEETINGS TO BE PUBLISHED IN THE RURALITE MAGAZINE AND TO BE POSTED AT EACH AREA OFFICE. (Exhibit II)

After thorough discussion of the best way to open Board Meetings to those members wishing to attend and/or participate in these meetings, IT WAS UNANIMOUSLY VOTED, ON MOTION MADE BY DARYL ERIKSEN AND SECONDED BY RAY CRAWFORD, TO REVOKE THE EXISTING POLICY #13. DARYL ERIKSEN FURTHER MOVED TO ADOPT THE FOLLOWING GUIDELINES TO BE USED IN CONDUCTING FURTHER BOARD MEETINGS:

1. MEETINGS ARE TO BE OPEN TO ANYONE WISHING TO ATTEND.
2. ANYONE HAVING AN ITEM TO BE ADDED TO THE AGENDA ON MEETING DATE WILL BE ALLOWED NOT MORE THAN THREE MINUTES TO PRESENT HIS PROPOSED ITEM TO THE BOARD FOR IT'S CONSIDERATION OF ACCEPTANCE AS AN ADDITION TO THE AGENDA.

JOE RIORDAN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

Policy Committee - Board Effectiveness Assessment

The Board agreed to have Bob Vaughan draft a Board effectiveness assessment form to be filled out annually by the Board. This draft will then be presented to the Executive Committee for further study and input.

Policy Committee - Confidentiality of Personnel Files

The next item to come before the Board involved protection of the confidentiality of personnel files. Acting on advice from Bob Vaughan and after thorough discussion ON A MOTION MADE BY WANDA BORDEN AND SECONDED BY VERNON SCOTT, THE BOARD VOTED UNANIMOUSLY TO ADOPT POLICY NO. (Exhibit III)

Policy Committee - Conflict of Interest

The Management Audit prepared by Jeff Smith recommends adopting a conflict of interest policy and proposed guidelines. After some discussion DARYL ERIKSEN MOVED TO HAVE THE POLICY COMMITTEE, WORKING WITH BOB VAUGHAN, DRAFT A POLICY DEALING WITH BOARD MEMBER CONFLICT OF INTEREST ALONG THE LINES SUGGESTED IN THE MANAGEMENT AUDIT. CLAUDIA WINES MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

Safety Committee

Larry Bradshaw read the minutes from the April 19th Safety Meeting.

Scholarship Committee

The Scholarship Committee reported that it had interviewed one applicant from Wendover, four from Wells and three from Carlin. The committee recommended awarding the scholarship to Vannessa Taylor, from Wendover, with Elaina Munda from Carlin to serve as alternate. RAY CRAWFORD MOVED TO AWARD THE SCHOLARSHIP AS RECOMMENDED BY THE SCHOLARSHIP COMMITTEE. CLAUDIA WINES MADE THE SECOND. THE MOTION CARRIED UNOPPOSED.

MEMBER-CONSUMER COMMITTEE

On May 4, 1984, the Member-Consumer Committee presented Lee Standley with two signed forms (Exhibit IV) requesting a list of WREC's member-consumers and asking for a reply - within 20 days - to twelve questions. Copies of these requests were forwarded to Bob Vaughan and to each Director. At the May 18th Board Meeting, Vaughan presented his views on the requests and the Board discussed each of the twelve questions.

It was decided to publish each of the questions and WREC's responses in the Ruralite Magazine. (these responses will be attached later as Exhibit V)

Response to the Member-Consumer Committee is forthcoming from Lee Standley.

It was also agreed to offer Joe Quilici the option of having WREC, at Company expense, mail to all it's consumer-members, the information Quilici wished to have sent. This was presented as an alternative to providing Mr. Quilici with a mailing list of all consumers. It was, however, agreed to provide him with such a list if he so preferred.

ANNUAL MEETING

Dan Kessler was commended for his efforts in organizing this year's Annual Meeting. Everyone on the Board felt the meeting went well.

MAY RALLY

Wanda Borden, Joe Riordan, Larry Bradshaw and Vernon Dalton attended this year's Rally. The

Nevada delegation was well received by its legislators. Vernon Dalton was commended for his past and continuing efforts in Washington on behalf of rural electrification.

NEW MEMBERSHIPS

VERNON SCOTT MOVED TO ACCEPT 30 NEW MEMBERS FROM WENDOVER, UTAH: 8 FROM WENDOVER, NEVADA: 11 FROM CARLIN: AND 7 FROM WELLS. RAY CRAWFORD MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

NOMINATING COMMITTEE

WANDA BORDEN MOVED TO APPOINT ETHEL SCOTT, LOURINDA WINES, ELAINE SWANSON AND LOUANNA DEAN TO THE NOMINATING COMMITTEE WITH COKE LACOMBE AND ANITA BURROUGHS TO SERVE AS ALTERNATES. VERNON SCOTT MADE THE SECOND: THE MOTION CARRIED UNANIMOUSLY.

MANAGER'S REPORT

CFC Renewal

Lee Standley reported to the Board that WREC has an existing \$2,000,000.00 line of credit with CFC which will expire on June 8, 1984. He noted that the current balance owed was zero and asked the Board's approval to apply for an increase in the line of credit to \$3,000,000.00. VERNON SCOTT MOVED TO ALLOW WREC TO SEEK A \$3,000,000.00 LINE OF CREDIT FROM CFC. WANDA BORDEN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

Equity Stabilization Plan

The next item to come before the Board involved that portion of CFC loans which is held in capital term certificates (CTC's) . These CTC's currently mature in 35 years and pay 2% interest. Lee Standley read a resolution (Exhibit VI .) , which, if approved by the Board, would cause these CTC's to mature in 50 years and to pay 4% interest. After a full discussion of the matter, VERNON SCOTT MOVED TO ADOPT THE RESOLUTION (Exhibit VI) EXACTLY AS READ. WANDA BORDEN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

In discussing financing, Vernon Dalton suggested comparing options offered by Banks for Cooperatives for future financing needs.

Meter Lamps

Warren Linnell told the Board that he had received a request on behalf of the Wells Presbyterian and Assembly of God Churches for meters which are no longer serviceable. In the past, it has been WREC's policy to destroy such meters. These churches have asked to have these meters which will be made into lamps and sold. Mr. Linnell assured the Board that all WREC insignia would be removed and that only irreparable meters would be available for the proposed lamps. VERNON SCOTT MOVED TO GRANT THE CHURCHES' REQUEST FOR JUNKED METERS. FERRIS BROUGH MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY.

In-House Computer

Lee Standley told the board that the budget currently holds \$3,500.00 for a small in-house computer. Mr. Standley asked the board for an additional \$1,754.00 for the purchase of a printer and software. (Exhibit VII..). This computer will be used for word processing, cost-of-service studies,

power requirement studies, etc. After a full discussion of the matter, DARYL ERIKSEN MOVED TO ALLOCATE THE ADDITIONAL \$1,754.00. WANDA BORDEN MADE THE SECOND: THE MOTION PASSED UNANIMOUSLY.

Legal Seminar

Lee Standley again approached the Board with a request from Bob Vaughan and Jim Copenhaver, to share their expenses with Mt. Wheeler Power Co., in attending the NRECA Legal Seminar 24. WREC has, in past years, helped finance Vaughan's attendance of this annual seminar. Certain Directors voiced the opinion that Vaughan's firm is well compensated for it's work for WREC and that attorney education costs should be considered part of Vaughan's regular fees. JOE RIORDAN MOVED TO HELP PAY THE EXPENSE OF BOB VAUGHAN'S AND JIM COPENHAVER'S ATTENDING LEGAL SEMINAR 24, CONTINGENT ON MT. WHEELER POWER COMPANY'S AGREEMENT TO HELP SHARE THE COST. LARRY BRADSHAW MADE THE SECOND. THE MOTION PASSED. CLAUDIA WINES, FERRIS BROUGH AND DARYL ERIKSEN VOTED IN OPPOSITION; ALL OTHER DIRECTORS VOTED IN FAVOR.

Lee Standley reported that fees being charged by Bob Vaughan's firm were being increased overall by an average of 3.9%.

Ernst and Whinney Report

The Board agreed to ask J. Smith, from Ernst & Whinney, to personally report to the Board at it's next regular meeting. There will be no additional charge for this visit.

NRECA Insurance

After thorough discussion WANDA BORDEN MOVED TO GIVE NRECA A LIST OF WREC'S MEMBERS TO BE USED FOR INSURANCE MAILOUTS. JOE RIORDAN MADE THE SECOND. THE MOTION PASSED UNANIMOUSLY. This action reversed a previous decision to deny NRECA's request for a member's list.

The meeting adjourned at 6:20 p.m.

D. VERNON DALTON, PRESIDENT

WANDA BORDEN, SECRETARY