

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

**August 16, 1985**

The regular meeting of the Board of Directors of Wells Rural Electric Company was held at the Wells office and called to order August 16, 1985 at 1:00 o'clock p.m. The meeting was presided over by President Vernon Dalton.

Directors present were Larry Bradshaw, Ferris Brough, Ray Crawford, Vernon Dalton, Daryl Eriksen, Lois Nannini, Joe Riordan, Claudia Wines, and Mary Wright. Wanda Borden and Vernon Scott were not present.

Present from the staff were Dan Kessler, Warren Linnell, Don McDonald, Buddy Welsh, and Terri Seal.

## APPROVAL OF THE MINUTES:

The minutes of the July 19, 1985 regular meeting will stand approved as written.

## ADDITIONS TO THE AGENDA:

Dan Kessler asked that four representatives of the Youth Energy Seminar camps be added to give the board a report.

It was also asked that the 4-H beef purchase be added.

Board Committee Reports, inadvertently left off the Agenda, was also added.

## Youth Energy Seminars:

Dan Kessler introduced four representatives of the Youth Energy Seminar camps. Jason Nolz, Toni Eldridge and Gwen Lindberg who attended the Nevada Rural Electric Seminar held at Boreal Ridge, California July 22nd-26th, and Thad Ballard who attended the Utah Rural Electric Association Youth Energy Seminar in Logan, Utah August 5-9.

They all gave a short presentation to the board stating how much they appreciated the opportunity to attend and that the camps were interesting, informative and very worthwhile.

## NEW OFFICE BUILDING:

Dan Kessler reported that the letter from the Nevada Historic Preservation Society had arrived stating that there were no artifacts on the proposed building site. There are two old Chinese dump-sites adjacent to the building site which will have to be documented.

The letter has been sent to REA and they have indicated that upon receipt of this letter, they will approve the building and release the lien that CFC needs to finish processing the long term loan. Kessler reported that REA has everything they need, he has spoken with REA asking them to expedite as soon as possible.

A new sign, done by Kathy Reber, has been put up at the building site.

## Existing Office Building:

Joe Riordan brought up the sale of the existing building, it was the consensus of the board that the staff get the necessary information on realtors, listings, etc.

## MANAGER'S REPORT

### Collections:

Dan Kessler reported that enforcement of the collection policy on commercial and rural accounts were going to become more strict than they have been in the past.

Kessler informed the board the "Flying S" account had declared bankruptcy in May of 1984. They have paid the amount due us on their commercial accounts but approximately \$30,000.00 is tied up in the bankruptcy. When they added the line extension to their trailer court the upfront money amounted to \$49,000.00, which we still hold so if reposition occurs we will not lose any money. If the bankruptcy holds up we are listed as a secured creditor and guidelines have been set for us to be paid the past due amount.

## MANAGER'S REPORT (cont.)

### Telecommunications:

Dan Kessler reported the results of the Member Survey were 60% in favor of getting into the telecommunications field. He also reported that proceedings had begun with the feasibility studies and assembling survey materials. A letter was written to the National Rural Telecommunications Council for information and further advice. Research into identifying micro-wave paths is also underway.

Kessler informed the board that all time spent on telecommunications was being charged to a separate account and the subsidiary company, when it appears, will be billed for these services.

### Election Committee:

Dan Kessler informed the board that an election committee needed to be chosen for the upcoming board of directors election to assist Mr. Bob Vaughan's staff with the election ballot results on Friday, September 13th. After a thorough discussion IT WAS ON MOTION BY DARYL ERIKSEN THAT ETHEL SCOTT, MARTHA ERIKSEN, AND WILDA GROCK BE ELECTED FOR THE COMMITTEE WITH DONNA GAILEY AND MARY LOU WINES AS ALTERNATES. CLAUDIA WINES SECONDED, MOTION CARRIED UNANIMOUSLY.

### Frank Hooper:

Frank Hooper is considering making application to FERC for the additional water rights available on Trout Creek. He wanted to know if the board would object to his filing for these water rights. It was the consensus of the board that the staff do an in-house feasibility study on the costs of equipment, a new hydro and the amount of power it would generate.

### September Board Meeting:

Dan Kessler informed the board that there were some conflicts that had come up in regards to the September 20th regular scheduled board meeting. On September 18th, is the dedication of the Bonanza Plant, Deseret G&T outside Vernal, Utah.

An invitation was extended to anyone wanting to attend. On September 20th Carlin Gold has scheduled their dedication of the new Gold Quarry facility. Also, Mr. Ed Spencer, of CFC, will be here on September 19th to present an "Equity Stabilization" plan and would be able to make this presentation to the board, at that time, if the board meeting were scheduled for September 19th. Kessler also informed the board that the second quarterly budget figures would be available at that time and if the meeting were to be scheduled earlier it would not give the staff enough time to accumulate those figures.

FERRIS BROUGH MADE THE MOTION TO CHANGE THE REGULAR BOARD MEETING DATE TO SEPTEMBER 19, 1985 AT 1:00 P.M. LOIS NANNINI SECONDED, MOTION CARRIED UNANIMOUSLY.

### 4-H Beef Purchase:

RAY CRAWFORD MADE THE MOTION THAT WREC PURCHASE A 4-H BEEF AT THE ELKO COUNTY FAIR. CLAUDIA WINES SECONDED, MOTION CARRIED UNANIMOUSLY.

### Honorary Chair/Bob Partridge:

In May of 1984 the board voted to donate \$100.00 for an honorary chair at the University of Missouri for Bob Partridge, retired General Manager of NRECA. It was brought to the attention of the board that the check had never been sent. It was the consensus of the board that it now be mailed.

### Region IX Meeting:

Dan Kessler informed the board that Nevada was the host for this year's meeting at Lake Tahoe October 1-3. All board members present plan on attending both the meeting and the Management Evaluation School scheduled for September 30th.

Ray Crawford was nominated as the voting delegate at the Region IX Meeting and Joe Riordan as the alternate.

Joe Riordan was nominated as the voting delegate for the CFC Meeting and Lois Nannini as the alternate.

## MANAGER'S REPORT (Cont.):

### Harry Copelan:

Dan Kessler reported that Mr. Harry Copelan, Advocate editor, had requested to go over the Cost of Service Study from 1983 to

1987. However, his time is limited and he wants to take the Cost of Service Studies out of the office and have his own experts look at them.

After some discussion JOE RIORDAN MADE THE MOTION TO STAND BY POLICY 12 AND NOT LET THE COST OF SERVICE STUDY LEAVE THE PREMISES. LOIS NANNINI SECONDED, MOTION CARRIED BY UNANIMOUS SUPPORT OF ALL THOSE PRESENT.

A letter will be written explaining the board's decision and inform Mr. Copelan that he is welcome to come into the office, meet with the staff, have access to the Cost of Service Study and ask questions of the staff.

#### Digger Derrick Truck:

Warren Linnell approached the board on a possible lease with option to buy in 2 years for a digger derrick truck for the construction crew. In the 1985 capital budget, the operations department budgeted \$1500.00 per month for the lease or rental of a digger derrick truck. After contacting a number of rentals, it became apparent that the equipment would be used and the crew was not familiar with it. The cost per month was quoted between \$1450.00 and \$1900.00 per month, to rent. Leasing the unit for 24 months and paying \$1389.00 per month for a total two year lease cost of \$33,336.00 would gain us \$22,915.00 in equity in the unit, while renting at a higher figure gives no equity benefit.

DARYL ERIKSEN MADE THE MOTION TO LEASE A DIGGER DERRICK TRUCK FOR A 24 MONTH PERIOD AND THEN PURCHASE IN TWO YEARS. FERRIS BROUGH SECONDED, MOTION CARRIED UNANIMOUSLY.

#### Insurance:

Bud Calton joined the meeting to give the board information on the insurance situation. He spoke with Federated Insurance, our current carrier, and was quoted a 20% increase on property damage, vehicles, and liability. The Umbrella coverage will increase from \$4250.00 to \$11,000.00 on \$10 million.

The total amount paid for insurance in 1984 was \$26,509.00, in 1985 we will pay approximately \$37,710.00.

The insurance bid will go out in October 1985 to Federated Insurance, Nationwide, and Insurance Management, Inc.

A short break was called at 2:55.

Called back to order at 3:10.

#### CFC EQUITY STABILIZATION:

Dan Kessler reported that Ed Spencer, of CFC, will be here on September 19, 1985 to make a presentation to the Policy Committee, Financial Advisory Committee and the board on "Equity Stabilization".

#### MEMBER SURVEY RESULTS:

A copy of the survey and the results were handed out for the board's review, it was the consensus that they would study it and discuss at the next meeting.

#### WPPSS UPDATE:

Dan Kessler reported on the Haberman case, which was a suit against the bond holders for \$400 million on WPPSS #4 and #5 bonds, all claims against our group has been dismissed.

Bob Vaughan had written a letter stating that he has now been sued and is asking the board if they feel a conflict of interest exists if he retains the firm of Riddell, Williams, Bullitt & Walkinshaw to represent him, as they also represent Wells Rural Electric Company.

#### WPPSS UPDATE (Cont.)

IT WAS MOVED BY DIRECTOR CLAUDIA WINES, SECONDED BY DIRECTOR LARRY BRADSHAW AND PASSED BY A VOTE OF 8 IN FAVOR AND NONE AGAINST, AS FOLLOWS:

Based upon the representations and conditions contained in the letter of Vaughan, Hull, Copenhaver & Hansen, Ltd. dated August 14, 1985 that Wells Rural Electric Company does agree that its general counsel, his law firm and associates may be represented in the Washington Public Power Supply System (WPPSS) litigation by the firm of Riddell, Williams, Bullitt & Walkinshaw which firm is also representing Wells Rural Electric Company. In this regard, Wells Rural Electric Company waives any claims against general counsel, his firm, partners and associates arising out of their representation in the WPPSS matters and further waives any potential or actual conflict of interest involved in the matter of the dual representation by Riddell Williams.

PINE VALLEY SERVICE:

Dan Kessler reported that he had contacted Alex Cockey, REA, and the legal people are still arguing about the minimums that have been assigned to the Pine Valley Residents to take care of the service.

Political pressure is now being applied to get confirmation on the loan from Senator Chic Hecht, Senator Paul Laxalt and Congressman Barbara Vucanovich.

The board was informed that if approval has not been received from REA by August 30, 1985 the project will have to be delayed until Spring of 1986.

Dan Kessler informed the board that Tom Hoy had called and stated he had Charles Kuralt and USA Today on line to do a feature story on the Pine Valley Project.

The next business to come before the meeting concerned the matter of the construction contract for the line erection and materials for the Pine Valley Project. It was noted that bids for the project had been opened on the 9th day of August, 1985, at the office of the Company at Wells, Nevada, and that four bidders had submitted bids. After a thorough discussion by staff and board members IT WAS ON MOTION DULY MADE BY DIRECTOR JOE RIORDAN, SECONDED BY DIRECTOR FERRIS BROUGH AND PASSED BY A VOTE OF 8 IN FAVOR AND NONE AGAINST AS FOLLOWS: Exhibit I

"RESOLVED: That each and every of the following resolutions are contingent upon:

1. Complete Rural Electrification Administration approval of the loan to finance the Pine Valley Project, including the finalizing of all requirements, procedural and otherwise, to the effect that the Rural Electrification Administration is ready, willing and able to advance funds upon the request of the Company;
2. The receipt of an adequate and duly executed Contractor's Bond; and
3. Approval of General Counsel for the Company (all of which are hereinafter referred to as the "Contingencies").

BE IT FURTHER RESOLVED: That, subject to the Contingencies being met, the bid of Power Line Construction Company, for the construction of the line erection and materials for the Pine Valley Project is hereby accepted;

BE IT FURTHER RESOLVED: That, subject to the Contingencies being met, the Contract documents for the construction of the line erection and materials for the Pine Valley Project hereinbefore described, wherein the total contract price is \$1,116,627.00, be and the same are hereby approved;

BE IT FURTHER RESOLVED: That, subject to the Contingencies being met, and at anytime prior to the next meeting of the Board of Directors, the officers of the Company be, and each of them is authorized in the name and on behalf of the Company, to execute said contract documents and all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting as may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions;

BE IT FURTHER RESOLVED: That the approval date of the contract, pursuant to the terms of the contract documents shall be the date that all of the Contingencies have been met and the contract documents have been executed by the officers of the Company.

PINE VALLEY SERVICE (Cont.)

The next business to come before the meeting concerned the matter of obtaining rights of entry and rights of way for the building and maintenance of the distribution line and related facilities in Pine Valley, Nevada from Carlin, Nevada to the southerly terminus of the line, in accordance with the plans for the Pine Valley Project. It was noted that the Company had not been able to negotiate and acquire a portion of the necessary rights of way. Upon the recommendation of General Counsel, and a thorough discussion by staff and board members IT WAS ON MOTION DULY MADE BY DIRECTOR DARYL ERIKSEN, SECONDED BY DIRECTOR LARRY BRADSHAW AND PASSED BY A VOTE OF 8 IN FAVOR AND NONE AGAINST AS FOLLOWS:

"WHEREAS, the Board of Directors of Wells Rural Electric Company (herein the "Company"), pursuant to its authority and rights as a public utility, have the power to condemn property for utility use in serving its members, as set forth in Chapter 37 of the Nevada Revised Statutes;

IT IS HEREBY RESOLVED: That the public interest and necessity require the acquisition, construction and completion by the Company of electric distribution lines and related facilities in Pine Valley, Nevada; and, that the public interest and necessity require the acquisition for said distribution lines and facilities, an interests in real property, hereinafter described.

BE IT FURTHER RESOLVED: That the proposed construction of said electric distribution lines and related facilities on and along an alignment heretofore approved by resolution of this Board is planned and located in a manner which will be most compatible with

the greatest public good, and the least private injury.

BE IT FURTHER RESOLVED: That the Board of Directors be, and are hereby authorized and directed:

1. To acquire in the name of and in behalf of the Company, in fee simple absolute, all rights of way reasonably necessary to construct and maintain the electric distribution line and related facilities for the Pine Valley Project in and to Pine Valley, Nevada, by the exercise of the power of eminent domain in accordance with the provisions of Chapter 37 of the Nevada Revised Statutes and the authority of the Company as a public utility;
2. To commence and prosecute, in the name of the Company, condemnation proceedings in the proper court to condemn said real property and interests, therein; and,
3. To make application to said court for an order permitting the Company to take possession and use of said real property, as may be necessary for construction of said electric distribution line and related facilities, and to deposit with the clerk of such court a sum equal to the value of the premises sought to be condemned plus damages as appraised by the Company'; and,

BE IT FURTHER RESOLVED: That these Resolutions shall be effective and shall be in force immediate upon adoption.

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

The successful bidder for poles was North Pacific Lumber from Portland, Oregon at \$202,289.00. The successful bidder for the hardware and conductor was Western States Electric, Inc. from Portland, Oregon at \$246,365.13.

Claudia Wines left the meeting at 3:45 p.m.

#### POWER SUPPLY:

The updated retail rates and rules are nearly complete with the exception of rule no. 1, Definitions, which will be covered in the Policy Committee Report. The books will be ready to hand out at the September meeting.

#### MEMBER SERVICES REPORT:

Don McDonald informed the board that the BPA Water Heater Wrap Program has been cost effective and is now being closed out. He reported that 522 water heater wraps and approximately 4500 shower flow restrictors were installed throughout the service area.

BPA sent three different options on how to close out the program. McDonald read each option and after some discussion JOE RIORDAN MADE THE MOTION TO ACCEPT OPTION NUMBER ONE, CONSUMER NOTIFICATION FOR BPA CONTRACT CLOSEOUT OF THE WATER HEATER WRAP PROGRAM. LOIS NANNINI SECONDED, MOTION CARRIED UNANIMOUSLY.

#### NEW MEMBERSHIPS:

DARYL ERIKSEN MADE THE MOTION TO ACCEPT 23 NEW MEMBERS: 5 IN WELLS, NEVADA; 9 IN CARLIN, NEVADA; 5 IN WENDOVER, UTAH; AND 4 IN WENDOVER, NEVADA. RAY CRAWFORD SECONDED, MOTION PASSED UNANIMOUSLY.

#### BOARD COMMITTEE REPORTS:

##### Policy Committee:

##### David Neff Contract:

Dan Kessler reported that a line extension had been installed for Mr. David Neff, on a three year contract. Mr. Neff has written a letter requesting that we change our policy and grant him an extra year to pay the contract.

After some discussion JOE RIORDAN MADE THE MOTION TO EXPLAIN BOTH THE CONTRACT AND THE POLICY TO MR. NEFF AND DENY HIS REQUEST FOR AN EXTRA YEAR. DARYL ERIKSEN SECONDED, MOTION CARRIED UNANIMOUSLY.

##### Policy No. 1 - Definitions:

DIRECTOR JOE RIORDAN MOVED THAT THE RECOMMENDATIONS OF THE POLICY COMMITTEE ON RULE NO. 1, WHICH PERTAINS TO DEFINITIONS, BE ADOPTED AS A CHANGE IN SAID RULE. A COPY OF THE RECOMMENDATION OF THE POLICY COMMITTEE ON RULE NO. 1, IS TO BE ATTACHED TO THE MINUTES OF THE MEETING. THE MOTION WAS SECONDED BY DIRECTOR MARY WRIGHT AND

PASSED UNANIMOUSLY.

The Board was asked to review the Statement of Ideals, Statement of Beliefs, Objectives and Policies 1-1 through 1-7 for any changes or revisions that the Board deems appropriate, to be discussed at the September meeting.

MEETING ADJOURNED AT 4:30 P.M.

D. Vernon Dalton, President

Wanda Borden, Secretary