

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

JANUARY 16, 1987

The regular meeting of the board of directors of Wells Rural Electric Company was held in the Wells office and called to order January 16, 1987, at 9:00 A.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, Jerry Parkin, Vernon Scott, Leslie Sharp and Mary Wright. Wanda Borden was not present.

Present from the staff were Dan Kessler, Buddy Welsh, Warren Linnell, Paul Johnson, Clay Fitch and Diane Griswold.

APPROVAL OF THE MINUTES:

The minutes of the regular meeting held December 19, 1986, will stand approved as written.

IT WAS ON MOTION BY RAY CRAWFORD TO APPROVE THE MANAGER'S SALARY AND BONUS EFFECTIVE JANUARY 1, 1987. THE MOTION WAS SECONDED BY LARRY BRADSHAW AND PASSED UNANIMOUSLY.

ADDITIONS TO THE AGENDA:

Elaine Swanson was added at 10:00 A.M.

WAGE AND SALARY REVIEW:

Proposals for a wage and salary review were received from Martin Lowery of NRECA (\$5,300.00 to \$6,500.00 plus all expenses), Richard McNorton of Towers, Perrin, Forster & Crosby (\$18,500.00 to \$20,500.00), and Ronal Borgman of Borgman Associates (\$3,300 for steps 1-8 and \$4,200 for steps 1-9, plus all expenses), as requested by the board. A thorough discussion was held regarding each proposal. IT WAS ON MOTION BY DARYL ERIKSEN TO ACCEPT THE PROPOSAL PREPARED BY MARTIN LOWERY OF NRECA. THE MOTION WAS SECONDED BY FERRIS BROUGH. More discussion followed. THE MOTION FAILED. IT WAS ON MOTION BY MARY WRIGHT TO ACCEPT THE PROPOSAL PREPARED BY RONAL BORGMAN OF BORGMAN AND ASSOCIATES. THE MOTION WAS SECONDED BY VERNON SCOTT. More discussion followed. THE MOTION FAILED. It was decided more information was needed from NRECA and Borgman Associates to make a proper decision. The information needed is to be presented at the next board meeting, February 20, 1987. The requested information wanted is: a detailed expense breakdown, more explicit credentials, extra service cost (what that entails), a bottom line figure (not to exceed figure), and the mechanics of the study - why do we need a wage and salary review done.

ELAINE SWANSON:

The bank has recalled the note on the Wells Progress in which Wells Rural Electric Company is a shareholder (Wells Rural Electric agreed to buy \$3,000.00 worth of stock at \$50.00 per month). Elaine Swanson has approached the board to request payment in full of the shares that Wells Rural Electric holds to render all share holders debt free. The balance amount requested is \$2,800.00. A discussion followed. IT WAS ON MOTION BY FERRIS BROUGH TO PAY THE SAID AMOUNT OF \$2,800.00. THE MOTION WAS SECONDED AND PASSED UNANIMOUSLY. Daryl Eriksen was not

present during this session.

A break was called at 10:00 A.M. Meeting was called back to order at 10:15 A.M.

BOARD/STAFF REPORT ON MEMBER CONTACTS:

Board and Staff members reported on the member contacts made this month. 112 member contacts have been made through this month. Handouts on Member Comments and Office Visits were passed out to the board.

A lunch break was called at 12:00 P.M. The meeting was called back to order at 1:00 P.M.

WPPSS UPDATE:

Bob Vaughan gave an update on the WPPSS litigation. Mr. Vaughan gave a summarization of several of the law suits involved. Find attached a summary written by John D. Lowery of Riddle, Williams, Bullitt & Wilkinshaw titled Law Suits Related To The Washington Public Power Supply System (WPPSS) regarding the 25 law suits to date involved in the WPPSS litigation. (Exhibit I)

Some of the cities and Bonneville Power users are passing resolutions against the upcoming rate increase in October 1987. As a courtesy, Riddle, Williams, Bullitt & Walkinshaw sent to WREC a copy of one resolution that was passed. Mr. Vaughan read the proposal. A discussion followed on whether WREC was interested in passing a similar resolution. It was noted that WREC has sent several letters protesting the rate increase.

An executive session was called by Mr. Vaughan to discuss the WPPSS settlement. A break was called at 2:00 P.M. The meeting was called back to order at 2:15 P.M.

BOB VAUGHAN DISCUSSIONS:

Mr. Vaughan will send some information regarding having a Sergeant at Arms present at the Annual Meeting in case of someone becoming unruly and disruptive. A discussion followed.

It was on recommendation by Mr. Vaughan there be a By-Law change regarding Capital Credits. The reason being, if a member were to leave owing WREC money (he/she has capital credits from past years), the company, after four years, would legally lose the right of offset. The recommended change would state that all capital credits will be assigned to the company; this will keep the company from losing its claim against that person before the capital credit is paid. A discussion followed. It was suggested that a separate account be set up for these capital credits due to the possibility of that member paying back the bad debt the capital credits could be assigned back to that member. Bob Vaughan will study.

Mr. Vaughan brought up the discussion on the accumulative voting provision and whether or not the company would like to look at districts. The board does not foresee the change to districts in the near future nor would they like to see cumulative voting studied since the two go together.

In the State of Utah a statute states that you cannot record a mortgage unless you have property listed in the mortgage, which WREC has never done. Mr. Vaughan brought this to the General Councils attention. A list is required by sections or townships and range that WREC has electrical facilities with real properties within these areas. Operations will comply.

A discussion was held on WREC's position of whether or not Sierra Pacific grant WREC 400 square feet of their territory or that WREC wheel power to Sierra over 20 miles of line. At this time Sierra is

not interested in wheeling or transferring territory.

Bob is gathering information on the anti-trust laws and their effect on utilities selling appliances. A discussion followed. Bob felt most of the problems encountered would be under the Federal Sherman Anti-Trust Act. Also various state anti-trust statutes could cause problems.

GENERAL PLANT ACQUISITION BUDGET:

The staff requested that a facsimile machine be added to the GPA budget. The addition of this machine would make the processing of information much quicker and more accurate. It will give WREC a direct link with Bob Vaughan's office, Bonneville Power Administration offices, REA, CFC, Power Engineers, and any offices with another FAX machine. A thorough discussion followed. IT WAS ON MOTION BY VERNON SCOTT TO PURCHASE THE FAX MACHINE WITHIN THE PRICE RANGE OF \$2,800.00 AND TO ADD THIS TO THE GENERAL PLANT ACQUISITION BUDGET. THE MOTION WAS SECONDED BY LARRY BRADSHAW; MOTION PASSED UNANIMOUSLY.

MANAGER'S REPORT:

The WREC building is now fully on the geothermal heating system - the sidewalk heating (snow melt) system has been hooked up.

A short executive's session was requested by Dan Kessler.

Patty Smith of NRECA, Denver office, is scheduled to hold training sessions January 20, 21, 22, and 23, for employees, board of directors and staff members. Tuesday and Wednesday, 20, & 21, is for WREC employees, Thursday, 22, is for all board members and Friday, 23, is for staff members. The programs to be presented to the board are: Future Issues and Issues Concerning-the Board (problem solving etc.), and Board Examination. The board approved of the programs.

The satellite dishes for the Carlin, Wendover, and Wells schools have been ordered.

The new REA prepayment offers were explained to the board. A few of the problems discussed were: Cannot seek future financing from REA again; Relinquish the right to draw down unadvanced funds on previously approved loans; Repay all outstanding REA loans and guarantees; Agree not to use tax-exempt financing to prepay the REA loans. It is not to our benefit at this time to pursue the prepayment of our REA existing loans.

Bob Berry, attorney for Nevada Crossing, requested that the power credits due Nevada crossing be submitted in a check instead of crediting their account due to this being their last year power credits. This would cause a change in our current policy. A discussion followed. It will be taken under consideration, but due to the time frame the power credits are to be credited to their account at this time.

The CFC rates are: 7 3/8% long-term; 9.0% long-term standard fixed; 9 3/4% long-term converted.

We have not received the updating on the converted rates. Staff will have the information for the February 20 Board Meeting.

The ACRE Committee is promoting the Roy Clark Show, February 2, 1987, at the NRECA Annual Meeting to be held in Dallas, Texas. Tickets are available for any of those interested.

Also, WREC will be receiving an award from the ACRE committee for 100% participation of board and administrative employees in 1986.

Vernon Dalton urged everyone to get their ACRE dues paid for this year.

The BPA wholesale rate increase is down to 11 1/2% for preferred customers. A discussion followed.

BPA has offered a program to its customers called BPA Incremental Block Sale. BPA is proposing to sell wholesale power at 13 mills to its customers for any incremental blocks that can be identified above last year's usage. This is a short term program from now until the rate increase in October 1987. The staff has put together a proposal to Bonneville Power in regards to our residential, commercial and irrigation plans. A discussion followed. (See attached copy).

It was suggested that WREC buy a hydraulic blade (\$1,650.00) to attach to one of the four wheel drive vehicles to clear snow off our driveways and that of the service center. IT WAS ON MOTION BY LESLIE SHARP TO PURCHASE A HYDRAULIC BLADE. THE MOTION WAS SECONDED BY LARRY BRADSHAW; MOTION PASSED UNANIMOUSLY.

A letter was received from the LDS Church of Wendover stating they had heard that WREC had furnished the schools with satellite dishes and they would like to have one also. It was not stated in the letter whether or not they wanted to purchase one from NRECA or have one donated by WREC. After a discussion, it was decided that more information was needed.

The new form for New Customer Hookups, which had been revised, was passed out to the board to review.

The Collections Report was given by Buddy Welsh. The staff is looking into the possibility of the Elko Credit Bureau in locating people that have left not paying their bill, etc..

VFW has sent to WREC a Certificate of Appreciation for services rendered to the Community.

It was brought to the board's attention two conflicting Board Meeting schedules; Friday, April 17, which is Spring Break for the schools, and Friday, June 19, which is the last day of the NWPPA Annual Meeting. It was the consensus of the board to decide the date changes at a later date.

OLD BUILDING:

Mayor Mike Nannini would like to approach the board at the February 20 Board Meeting regarding changes to the old WREC building. It was brought out that before the City can make any exterior or interior changes it must be brought before the board first.

PUBLIC SERVICE COMMISSION HEARING BETWEEN HARNEY ELECTRIC AND SIERRA PACIFIC:

Dan gave an update on the PSC Hearing between Harney REC and Sierra Pacific in which WREC was an intervener. 40% of Goldfield Mine's load was in Sierra Pacific territory, in which Sierra Pacific did not serve, and 60% of the load was in uncertificated territory, in which Harney was applying. The PSC ruled in favor of Harney REC. The issue of decertification, in which Harney was addressing and wanting to see done with that territory, the PSC refused to address. The PSC requested that the Harney REC and Sierra Pacific attorneys collaborate on the writing of the commission order to be ruled on the 20th of January. This could go as far as the 9th District Court in Sacramento due to being a federal power issue.

QUARTERLY BUDGET:

The next quarterly budget is due in February. The revenues for 1986 were approximately about 8.3 million. All of the comparison figures will be given at the February Board Meeting. WREC sold 151

million plus Kilowatt hours last year (1986), this is approximately a 25% increase over last years sales.

BOARD COMMITTEE REPORTS:

Ferris Brough gave a report on the Safety Committee Meeting held this month. A new safety manual was presented to the board. The new safety manual contains two policies in dealing with safety. The committee requested changes to these policies as follows:

Policy 2-8 II.B.A. (existing) "It will be the responsibility of the Operations Manager to appoint an Accident Investigation Committee consisting of (1) Line Superintendent, (2) Operations Manager, (3) Safety Supervisor, and (4) Line Foreman." The requested change to said policy is as follows:

"It will be the responsibility of the Operations Manager to appoint an Accident Investigation Committee consisting of (1) Operations Manager, (2) Manager of Member Services, (3) Supervisor of Purchasing, Job Training and Safety, (4) Line Superintendent, (5) Engineering Supervisor, and (6) Line Foreman."

IT WAS ON MOTION BY MARY WRIGHT TO ADOPT THE CHANGE TO POLICY 2-8 II.B.A. AS PROPOSED BY THE SAFETY COMMITTEE. THE MOTION WAS SECONDED BY DARYL ERIKSEN; MOTION PASSED UNANIMOUSLY.

Policy 7-4 II.A.1. (existing) "The manual that is adopted by the Company will be titled "Safety Manual for an Electric Utility" prepared by the American Public Power Association, or such other manual that is approved by the Wells Rural Electric Safety Committee and Ruralite, Inc.." The requested change is as follows: "The manual that is adopted by the Company will be titled "Wells Rural Electric Company Basic Safety Manual" approved by the Wells Rural Electric Board of Directors." IT WAS ON MOTION BY VERNON SCOTT TO ADOPT THE CHANGE TO POLICY 7-4 II.A.I. AS PROPOSED BY THE SAFETY COMMITTEE. THE MOTION WAS SECONDED BY MARY WRIGHT; MOTION PASSED UNANIMOUSLY.

The Safety Committee recommends that the Board of Directors approve \$70.00 per qualified person toward the purchase of safety awards. IT WAS ON MOTION BY DARYL ERIKSEN TO APPROVE \$70.00 PER QUALIFIED PERSON TOWARD THE PURCHASE OF SAFETY AWARDS. THE MOTION WAS SECONDED BY LESLIE SHARP; MOTION PASSED UNANIMOUSLY.

It was reported that there were 2,292 accident free days to date.

The total refund for our safety record was in the amount of \$10,271.40.

The Policy Committee Meeting is to meet February 19, 1987, 10:00 A.M.. The topics to be under discussion are the donation of equipment to outside entities the legal ramifications, new board member orientation, retirement, benefits after retirement, and a communications policy.

The Financial Advisory Committee is to meet February 19, 1987, 1:00 P.M.. All board members are to be present. IT WAS ON MOTION BY DARYL ERIKSEN TO HAVE A FINANCIAL ADVISORY COMMITTEE MEETING FEBRUARY 19, 1987 AT 1:00 P.M. WITH ALL BOARD MEMBERS PRESENT BEING PAID FOR ATTENDING A COMMITTEE MEETING. THE MOTION WAS SECONDED BY VERNON SCOTT; MOTION PASSED UNANIMOUSLY.

OFFICE SERVICES REPORT:

The billing problems experienced last month have been located and corrected.

It was noted that an Administrative Services Report will be added to the agenda.

SAFETY REPORT:

In early to mid-February, Warren Linnell and Bud Calton will travel to Kooteni for Safety Accreditation.

OUTAGE REPORT:

An equipment (splice) failure in Pine Valley caused a five hour outage.

The relicensing documents have been submitted to FERC.

HYDRO REPORT:

WREC is continuing with the relicensing effort for the Hydro.

NEW MEMBERSHIPS:

IT WAS ON MOTION BY VERNON SCOTT TO ACCEPT 42 NEW MEMBERSHIPS: 14-WENDOVER, UTAH; 10-WENDOVER, NEVADA; 9-CARLIN, NEVADA; 9-WELLS, NEVADA. THE MOTION WAS SECONDED BY FERRIS BROUGH; MOTION PASSED UNANIMOUSLY.

The meeting was adjourned at 5:00 P.M.

Vernon Dalton, President

Wanda Borden, Secretary