

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

DECEMBER 18, 1987

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in the Wells office and called to order December 18, 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, Warren Linnell, Buddy Welsh, Paul Johnson, Clay Fitch and Diane Griswold.

APPROVAL OF THE MINUTES:

The minutes of the regular meeting of November 20, 1987 will stand approved as written.

ADDITIONS TO THE AGENDA:

There were no additions to the agenda. Bob Vaughan, WREC attorney, is scheduled for 10:00 A.M.

GEOHERMAL UPDATE:

Dan Kessler contacted Bill Petty regarding the request for advisement of the next steps to be taken in pursuing the geothermal potential in our system. Mr. Petty will have a report. He did suggest that we locate the areas of new growth as they would be the easiest to provide a hot water source to rather than totally retro-fitting the system. Dan contacted Bob Vaughan and Jim Copenhaver also. They stated that member approval will be necessary at the Annual Meeting thus involving a change in the Articles of Incorporation. More information will be gathered for the Board's review, along with the report from Mr. Petty.

WENDOVER LAND/OFFICE BUILDING:

Several land owners in Wendover have corresponded with us regarding land for sale. A lengthy discussion ensued. The Board requested that Dan gather all the information (i.e., prices, areas for sale, plot plans, etc.) for a presentation at the January Board Meeting.

MEMBER CONTACTS:

Member Contacts made this month were reported. Updates on the Office Payments and Questions/Comments were handed out to the Board for their review.

MANAGER'S REPORT:

The October Form 7 was reviewed. Also reviewed were CFC rates and investments made.

Pacific Northwest Generating Company (PNGC) requested that we become involved in their marketing program for T.V. spots, radio spots, newspaper advertisements, etc., for the advertisement of public power and electricity. The onetime fee is \$4,900.00. A discussion ensued. TT WAS ON MOTION BY VERNON SCOTT NOT TO JOIN THE MARKETING PROGRAM OFFERED BY PNGC. THE MOTION WAS SECONDED BY LOIS NANNINI. Further discussion ensued. MOTION

PASSED UNANIMOUSLY.

Also, a letter was received from PNGC stating that WREC would not become involved, through affiliate membership, in any litigation that PNGC has or could become involved with. (This reflects back to November 20, 1987 Board Meeting minutes in which a motion was made to join contingent upon WREC not becoming involved in any litigation through affiliate membership).

A report was given by Dan regarding the contract with Newmont Gold Company load increase. A discussion ensued. Mr. Vaughan will also address this contract later in the meeting.

A discussion was heard on the Sierra Pacific/BPA Transfer Trip Agreement negotiations. BPA signed the contract as well as Sierra Pacific.

The U.S. Sprint contract has been signed. An error was detected within the contract. Reeve Fagg has initialed the corrected error within the contract and approval was granted by the Board to have Daryl Eriksen (signer of the contract) to also initial the corrected error.

A discussion was heard on the Rain Project contract. Finalizing of the Rain Project contract was contingent upon Sierra Pacific completely agreeing with the contract as presented to them. Sierra would like to table this contract due to not completely agreeing with the language within the document, but also due to the outcome of the pending 120kV line sale.

A thorough and lengthy discussion was heard regarding the pending 120kV line sale to Sierra Pacific Power Company. A Special Board Meeting was called for Tuesday, January 5, 1988, at 10:00 A.M. (due to circumstances that some key people cannot attend the meeting at 1:00 P.M., the meeting was changed to 10:00 A.M.) in which the pending 120kV line sale will be addressed further.

RECNET dues have dropped from \$2,000.00 to \$1,500.00 this year.

Those attending the NRECA Annual Meeting to be held at the Sheraton New Orleans Hotel, New Orleans, February 4-7 (pre-meeting programs) and February 8-10 are: Vernon Dalton, Daryl Eriksen, Mary Wright, Larry Bradshaw, Jerry Parkin, Les Sharp, and Ray Crawford. Dan Kessler and Paul Johnson from the staff will also be attending. The delegates are as follows: Larry Bradshaw - CFC, alternate is Daryl Eriksen; Ray Crawford - NRECA, alternate is Vernon Scott.

Vernon Dalton gave a report on the new adopted legal ways of administering the ACRE program.

A recess was called at 10:30 A.M. The meeting was called back to order at 10:15 A.M.

BOB VAUGHAN:

Bob Vaughan reported on the second amendment to the Newmont Mining Company contract. This amendment increases Newmont's maximum demand limit to 16 MW. IT WAS ON MOTION BY LOIS NANNINI TO APPROVE THE NEWMONT SECOND AMENDMENT TO AGREEMENT CONTRACT AS WRITTEN AND PRESENTED. THE MOTION WAS SECONDED BY VERNON SCOTT. A thorough discussion ensued. THE MOTION PASSED UNANIMOUSLY. Daryl Eriksen abstained from voting.

Newmont requested that the Board consider an amendment to the Crusher Project Line Extension contract giving Newmont back power credits for the total sum as their original Power Sales and Facilities contract stated. A discussion ensued. @ It was the consensus of the Board to leave the contract as written (70% power credit payback).

Mr. Vaughan reported on public facts of events within the last few weeks in regard to the WPPSS

settlement.

Mr. Vaughan reported on the White Pine Power Project. The Lay-Off Option was explained to the Board. Also some concerns Bob had on the contract were addressed. A memorandum was noted by Mr. Vaughan in which the intent of the contract was clarified with their attorney. A discussion ensued. IT WAS ON MOTION BY RAY CRAWFORD TO APPROVE THE OPTION AGREEMENT BETWEEN WELLS RURAL ELECTRIC CO. AND THE DEPARTMENT OF WATER AND POWER OF THE CITY OF LOS ANGELES DATED DECEMBER 1, 1987. THE MOTION WAS SECONDED BY JERRY PARKIN: MOTION PASSED UNANIMOUSLY.

Mr. Vaughan also addressed the pending 120kV line sale to Sierra Pacific Power Company. A lengthy discussion ensued.

A recess for lunch was called at 11:30 A.M. The meeting was called back to order at 1:00 P.M..

MANAGER'S REPORT CONTINUED:

Policy 4-1, II, D. Non-Profit Operation, last sentence was brought to the Board's attention. IT WAS ON MOTION BY DARYL ERIKSEN TO CHANGE THE LAST SENTENCE IN II 2 D. NON-PROFIT OPERATION OF POLICY 4-1 TO READ AS FOLLOWS: PATRONAGE CAPITAL WILL BE REFUNDED ON A FIFTEEN YEAR CYCLE. THE MOTION WAS SECONDED BY RAY CRAWFORD: MOTION PASSED UNANIMOUSLY.

NRECA is forming a marketing library for all cooperatives to use.

A report was given by Dan and Clay in regard to the BPA Audit. An audit occurred November 1987 and its effects are retroactive to January 1986. The outcome of this audit reflects an over payment to WREC from BPA of approximately \$334,000.00 which will be paid back monthly over the next two years. Signature approval was requested of the Board for the Revision 1, Exhibits B and C to Lease Agreement Contract No. DE-MS79-84 BP 91698. IT WAS ON MOTION BY FERRIS BROUGHT TO APPROVE THE REVISION 1, EXHIBITS B AND C TO LEASE AGREEMENT CONTRACT NO. DE-MS79-84 BP 91698. THE MOTION WAS SECONDED BY VERNON SCOTT: MOTION PASSED UNANIMOUSLY.

Capital credits are being returned for the year 1972. Approval was requested to pay out \$85,131.00 in Capital Credits. IT WAS ON MOTION BY VERNON SCOTT TO APPROVE THE RETURN OF CAPITAL CREDITS IN THE AMOUNT OF \$85,131.00. THE MOTION WAS SECONDED BY JERRY PARKIN: MOTION PASSED UNANIMOUSLY.

A discussion was held on WREC's optimum equity level. Ed Spencer (CFC) met with staff with recommendations on managing investments, etc., optimum equity level, and maintaining equity position, etc.. Mr. Spencer will attend the January Board meeting to meet with the Board.

A plan designed by the Member Services Department to acknowledge an employee that has made an extra effort for a consumer was presented to the Board for their review. A card will be placed in the area offices to be filled out by the consumer if he/she feels an employee made an extra effort in providing service for that consumer. This program will call attention to employees who are trying to do a good job of service.

A letter was received from John Neff of Ruby Valley requesting that his agricultural business be re-evaluated in regard to line extension qualifications. A thorough discussion with staff ensued and was referred to the Policy Committee for review.

A recess was called at 2:30 P.M. The meeting was called back to order at 2:45 P.M.

BOARD COMMITTEE REPORTS:

The Financial Advisory Committee report was given by Vernon Scott. The 1988 Capital Budget was reviewed and upon the Committee's recommendation to approve the 1988 Capital Budget, IT WAS ON MOTION BY VERNON SCOTT TO APPROVE THE 1988 CAPITAL BUDGET AS PRESENTED (INCLUDING THE NEW BACKHOE) AND WITH AUTHORIZATION TO LEASE TWO VEHICLES. THE MOTION WAS SECONDED BY DARYL ERIKSEN. Further discussion ensued. THE MOTION PASSED UNANIMOUSLY.

The Retirement and Insurance Committee report was given by Leslie Sharp. Three bids were sent out regarding insurance companies with only one bid being received back. After review by the Board, IT WAS ON MOTION BY LESLIE SHARP TO ACCEPT THE BID RECEIVED FROM FEDERATED INSURANCE COMPANY. THE MOTION WAS SECONDED BY RAY CRAWFORD: MOTION PASSED UNANIMOUSLY.

The Safety Committee report was given by Larry Bradshaw. The Board reviewed the safety record of 9.73 years of accident free days along with Safety Awards to be presented to employees with one year or more of employment (36 employees - a total of \$2,540.00). IT WAS ON MOTION BY LARRY BRADSHAW TO APPROVE A \$70.00 SAFETY AWARD WITH AUTHORIZATION FOR THE EMPLOYEE TO PURCHASE AN ITEM AT A HIGHER COST WITH THE EMPLOYEE PAYING THE DIFFERENCE. THE MOTION WAS SECONDED BY LESLIE SHARP: MOTION PASSED UNANIMOUSLY.

COLLECTION REPORT:

Clay Fitch, Office Manager, gave the Collection Report. A list of write-offs and bankruptcies to be written off for this year was presented to the Board for their review. A discussion ensued. IT WAS ON MOTION BY VERNON SCOTT TO APPROVE THE WRITE-OFFS AND BANKRUPTCIES TO BE WRITTEN OFF FOR 1987. THE MOTION WAS SECONDED BY RAY CRAWFORD. Further discussion ensued. THE MOTION PASSED UNANIMOUSLY.

OFFICE SERVICES REPORT:

Staff asked the Board for authorization to open an account with Drexel, Burnham, and Lambert for investment purposes and to sign their Corporate Resolution. A discussion ensued. IT WAS ON MOTION BY MARY WRIGHT TO GRANT APPROVAL TO OPEN AN ACCOUNT WITH DREXEL, BURNHAM, AND LAMBERT. THE MOTION WAS SECONDED BY JERRY PARKIN: MOTION PASSED UNANIMOUSLY.

SAFETY MINUTES:

IT WAS ON MOTION BY LARRY BRADSHAW TO APPROVE THE SAFETY MINUTES. THE MOTION WAS SECONDED BY LESLIE SHARP: MOTION PASSED UNANIMOUSLY.

ENGINEERING & OPERATIONS REPORT:

Warren Linnell, Engineering and Operations Manager, reported on the revised Power Requirements Study and 1988 & 1989 Construction Work Plan which were presented to the Board for their review and approval. A discussion ensued. IT WAS ON MOTION BY DARYL ERIKSEN TO AMEND THE POWER REQUIREMENTS STUDY AS PRESENTED AND SIGN THE RESOLUTION. THE MOTION WAS SECONDED BY VERNON SCOTT: MOTION PASSED UNANIMOUSLY.

IT WAS ON MOTION BY MARY WRIGHT TO APPROVE THE 1988 & 1989 CONSTRUCTION WORK PLAN: TOTAL COST OF \$5,075,468.00 AND SIGN THE RESOLUTION. THE MOTION WAS SECONDED BY LARRY BRADSHAW: MOTION PASSED UNANIMOUSLY.

It was also noted that the Wells conversion is completed.

MEMBER SERVICES REPORT:

The New Member Orientation Program slide presentation was shown to the Board for their review. It was the consensus of the Board that the program was put together very well. The Member Services Department was commended for a job well done.

The Christmas Banquet/Gene Supp's Retirement will be tonight with dinner at 7:00 P.M.. Bud Calton will be recognized for 25 years with the Company, as well as Don McDonald for 10 years.

NEW MEMBERSHIPS:

IT WAS ON MOTION BY LOIS NANNINI TO APPROVE 60 NEW MEMBERSHIPS: WENDOVER, UTAH- 19; WENDOVER, NEVADA - 18; CARLIN, NEVADA - 14; WELLS, NEVADA 9. THE MOTION WAS SECONDED BY DARYL ERIKSEN: MOTION PASSED UNANIMOUSLY.

The meeting was adjourned at 3:45 P.M.

D. Vernon Dalton, President

Mary A. Wright, Acting Secretary