

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

MARCH 15, 1988

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in the Wells office and called to order March 15, 1988, 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, Lois Nannini, Jerry Parkin, Vernon Scott, Leslie Sharp, and Mary Wright. Wanda Borden and Daryl Eriksen were not present.

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

APPROVAL OF MINUTES:

The minutes of the Special Meeting of January 5, 1988, and the regular meeting of February 19, 1988, will stand approved as written. IT WAS ON MOTION BY VERNON SCOTT TO AMEND THE MINUTES OF THE SPECIAL MEETING OF FEBRUARY 29, 1988, TO INCLUDE THE WORDING PROVIDED BY BOB VAUGHAN, WREC ATTORNEY. THE MOTION WAS SECONDED BY FERRIS BROUGH AND PASSED UNANIMOUSLY.

ADDITIONS TO THE AGENDA:

A Board Retreat discussion was asked to be added. There were no objections.

WENDOVER LAND PRESENTATIONS:

Dick McDougal of Toana Corporation, Mike Sarrof of S.K. Hart Engineering, and Steve Perry of Stateline Properties gave presentations to the Board regarding land for sale.

Dick McDougal's proposal was land within West Wendover Highlands Development which included approximately 8.5 acres. Approximately \$25,000.00/acre was priced.

Mike Sarrof's proposal was land within the Bonneville Height's Development of approximately 7.9 acres with the possibility of further expansion. Mr. Sarrof asked for closed bidding, no auction bidding. The tentative price was approximately \$30,000.00/acre which would be negotiable.

Steve Perry's proposal included three options; (1) original proposal - 8.1068 acres with 200 feet of highway frontage - \$170,000.00 (2) 9.6243 acres with 275 feet of highway frontage - \$201,800.00 (3) 14.2954 acres with 473.44 feet of highway frontage - \$299,775.00. Option 3 WREC would need to approach Petrolane in regard to the existing lease they have with Stateline. Mr. Perry also stated that Stateline would be interested in pursuing a trade of properties (the land WREC presently owns - 295 A Street).

A question and answer period followed each presentation. After the presentations, a thorough discussion ensued. During the discussion, Dan Kessler read a letter received from the City of Wendover, Utah relinquishing the right to first option for purchasing WREC property located at 295 A Street. Also reported was the cost (estimated \$75,000.00 for 8 acres) of preparing (leveled, dozed and filled) the above stated Stateline property for building. It was requested that Dan get more information regarding the Petrolane Lease.

A recess was called at 10:30 A.M. Meeting called back to order at 10:45 A.M.

PETTY & ASSOCIATES PRESENTATION:

Bill Petty and Dave Bugenig gave a presentation in regard to the geothermal feasibility of the Wells and Carlin areas. These areas are very feasible for geothermal energy with the possibility of generating electricity. Mr. Petty suggested testing several key areas for full potential. Mr. Petty stated that it would cost about \$11,000.00 to drill 500 feet, whether it be for one 500 foot test hole or two 250 foot test holes at the Carlin Springs. This would let us know the exact temperature of the Springs and whether or not to go after power generation at that location. Mr. Petty felt that the initial investment in Wells to use the geothermal potential would be very low due to the well being in place and operating at this time. A thorough discussion ensued.

WREC has applied for the Governor's Award for energy innovation and efficiency projects in commercial building. National recognition may be received.

A lunch recess was called at 12:30 P.M. The meeting was called back to order at 1:30 P.M..

AUDIT REPORT:

A report was given by Jay Smith of Ernst & Whinney on the completed 1987 audit. Mr. Smith handed out to the Board a Financial Statement Comparison, an agenda to the bound report received by the Board at an earlier date, and a letter addressed to Vernon Dalton. Also addressed were the weaknesses of the accounting system. (Exhibit I)

Mr. Smith commended staff on a job well done. A discussion ensued. IT WAS ON MOTION BY LARRY BRADSHAW TO APPROVE THE 1987 AUDIT REPORT GIVEN BY JAY SMITH OF ERNST & WHINNEY. THE MOTION WAS SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY.

ANNUAL MEETING:

A discussion was held in regard to this year's Annual Meeting scheduled for April 30. The topic will be Economic Development. A panel discussion is planned regarding economic development and related topics such as geothermal possibilities, rural television, etc..

REPORTS ON MEMBER CONTACTS:

Reports were given on member contacts made. It was suggested that Energy Analysis Posters be placed in the front offices. John Neff thanked the Board. Updates on Member Comments and Office Payment record were handed out to the Board for their review. It was suggested that the average month's (past year to present year) temperature be place on the bills each month.

MANAGER'S REPORT:

An update on the 120kV Line Sale was given by Dan. Applications have been filed with REA and CFC. REA requested that WREC consider assigning the note to them and they will sign a lien release. All paper work is in order.

The most recent draft on the Rain Wheeling Agreement was passed out to the Board and reviewed. Approval was requested, as well as signature authorization of Vernon Dalton after Sierra signs, prior to April 1. Dan explained all changes within the contract. IT WAS ON MOTION BY VERNON SCOTT TO APPROVE THE RAIN WHEELING AGREEMENT WITH NOTED CHANGES AND GRANT SIGNATURE AUTHORIZATION. THE MOTION WAS SECONDED BY FERRIS BROUGH. A discussion

ensued. THE MOTION PASSED UNANIMOUSLY.

Key Ratios and graphs were presented to the Board for their review.

CFC interest rates were reported, as well as investments made.

Two letters were received from Newmont Gold Company. One requested accelerated credit payments to Newmont and the other requested WREC waiving our standard Rule 9 and grant credit against power billings in a manner similar to that provided in paragraph 8 of the original Newmont-WREC Agreement dated April 19, 1983. A lengthy discussion ensued regarding the Power Sales Contract (16-40MW); a draft will be presented to the Board for their review.

Also discussed was the cost of power and the causes and effects.

A letter had been received from Sierra Pacific in regard to Sierra signing a contract with Silver State Mining Company to serve approximately 5MWs of power to the Tonkin Springs Mining Project which is in uncertificated territory. Dan reported. Sierra had been approached by Buckhorn mining to serve that load. Buckhorn is within WREC territory and was so stated by Sierra. A meeting has been set up with Sierra. A discussion ensued.

January Form 7 will go out with the minutes.

The forms for renewal of the \$2,000,000.00 CFC Short-Term Line of Credit (expires August 16, 1988) were received. Approval for renewal was requested. It was noted that the Line of Credit was not used last year. IT WAS ON MOTION BY VERNON SCOTT TO RENEW THE CFC SHORT-TERM LINE OF CREDIT. THE MOTION WAS SECONDED BY MARY WRIGHT AND PASSED UNANIMOUSLY.

WREC has been dismissed without prejudice in the BPA/Pacific Corp. suit.

The Ruralite Annual Meeting will be held in Portland, Oregon on April 13 & 14. Vernon Dalton and Mary Wright will attend.

Legal Seminar I & II will be held in St. Louis, Missouri on May 2, 3, & 4. There were no objections to Dan attending.

The NRECA Legislative Conference will be held in Washington, D.C. on May 9, 10, & 11. Those attending are: Vernon Dalton, Ray Crawford and Lois Nannini.

The NWPPA Annual Meeting will be held in Coeur d'Alene, Idaho on May 24, 25, 26, & 27.

A letter was read from Harold Hunter to Charles Fowley, Chairman of NRECA Committee and Community of Economic Development in regard to REA funds being available for cooperatives for rural economic development.

A request was received asking a message be placed on our billing stating that the Curry Maintenance Station be kept open. It would not be possible.

A discussion was held on the Oasis Substation land.

Waddie Mitchell will entertain at the Annual Meeting.

Nevada Rural Electric Association will be granting two \$750.00 scholarships and a Washington, D.C. Youth Tour at the Youth Energy Seminars.

Think Service buttons were passed out to the Board. All employees will be wearing them.

North East Nevada Development Authority's Annual Meeting is scheduled for April 7 at the Stockmen's Hotel. Dan reported.

Several donation requests were received. FISH (Friends In Service helping) requested a donation to assist traveling people that become stranded needing minimal help. A specific denomination was not requested. The Board left it up to the Manager's discretion.

Ginger Rackley of the (Northern Nevada Community College) NNCC Foundation requested funding (\$2,500.00) for a counseling center at NNCC. A discussion ensued; no action was taken.

Delila Calton for the Primary Children's Medical Center requested an open-ended donation to the Penny's By The Inch. IT WAS ON MOTION BY FERRIS BROUGH TO DONATE \$200.00. THE MOTION WAS SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY.

It was noted that WREC has a 100 percent participation of staff and Board century club members in ACRE.

POWER SUPPLY:

Peak Demand Kilowatt Hour information for 1987 with 2 months in 1988 was handed out to the Board for their review.

The Northwest Region is facing their 10th worst water year. Surplus power is available.

A new peak of 28.8MW was set in January.

BOARD COMMITTEE REPORTS:

Ferris Brough, Chairman of the Director and Manager Expense Committee, reported. IT WAS ON MOTION BY FERRIS BROUGH TO AUGMENT THE 1987 EXPENSE BUDGET \$5,000.00 FOR DIRECTOR INSURANCE. THE MOTION WAS SECONDED BY RAY CRAWFORD AND PASSED UNANIMOUSLY.

ADMINISTRATIVE SERVICES:

The Adoption Agreement for the 401k Savings Plan will expire in June. It was requested that the Retirement and Insurance Committee set a meeting date. A discussion ensued. Due to a conflict of scheduling, the April Board Meeting was rescheduled for Friday, April 22, at 9:00 A.M.. The Retirement and Expense Committee was scheduled for Wednesday, April 20, at 1:00 P.M. There were no objections to these changes.

COLLECTION REPORT:

The Collection Report was reviewed.

OFFICE SERVICES REPORT:

Capital Credit checks were mailed.

SAFETY MINUTES:

IT WAS ON MOTION BY LARRY BRADSHAW TO APPROVE THE SAFETY MINUTES. THE MOTION

WAS SECONDED BY LESLIE SHARP AND PASSED UNANIMOUSLY.

WREC has had 10 years without a lost time accident.

A Certificate of Excellence was received for our Safety Accreditation. Vernon Dalton commended staff and all employees.

ENGINEERING & OPERATIONS REPORT:

Signature authorization was requested for Vernon Dalton to sign the Quarry Substation expansion bid award document. Construction is scheduled to commence

April 18. IT WAS ON MOTION TO AUTHORIZE VERNON DALTON SIGNING THE QUARRY SUBSTATION EXPANSION BID AWARD DOCUMENT. THE MOTION WAS SECONDED BY LARRY BRADSHAW AND PASSED UNANIMOUSLY.

OUTAGE REPORT:

The Outage Report was reviewed.

MEMBER SERVICES REPORT:

A report was given on the Energy Smart Design Assistance Program by Paul Johnson. Dan commended Paul and Don on the Irrigation Workshop.

NEW MEMBERSHIPS:

IT WAS ON MOTION BY VERNON SCOTT TO APPROVE 57 NEW MEMBERSHIPS: 5 IN WELLS, NEVADA; 18 IN CARLIN, NEVADA; 21 IN WENDOVER, NEVADA; AND 13 IN WENDOVER, UTAH. THE MOTION WAS SECONDED BY LARRY BRADSHAW AND PASSED UNANIMOUSLY.

BOARD RETREAT:

The Board Retreat discussion was tabled until the April Board Meeting.

As there was no further business to come before the Board, the meeting adjourned at 5:15 P.M..

D. Vernon Dalton, President

Mary A. Wright, Acting Secretary