

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

APRIL 19, 1988

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in the Wells office and called to order April 19, 1988, at 10:00 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 MINUTES:

The minutes of the regular meeting of March 15, 1988 will stand approved as written.

ADDITIONS TO AGENDA:

A Board Retreat discussion was asked to be added. Also asked to be added was a discussion on a letter received from an accounting firm. There were no objections.

WENDOVER LAND:

A report was given by Dan Kessler regarding the lease between Petrolane and Stateline Properties. A map and photographs of the property were put up for the Board to review. A thorough discussion ensued. It was the consensus of the Board to have Bob Vaughan, WREC attorney, review the lease later in the meeting.

The Utah Public Service Commission's time frame for WREC to build a new office facility in Wendover was June 1986 to June of 1991. Also discussed at this time was the possibility of leasing office space to other business entities.

GEOHERMAL UPDATE:

The next business to come before the meeting concerned the matter of continuing with activities relating to the development of geothermal resources. It was noted that to do so the discussion of the matter, **ON MOTION BY DIRECTOR DARYL ERIKSEN, SECONDED BY DIRECTOR VERNON SCOTT, THE FOLLOWING RESOLUTIONS WERE PASSED BY A VOTE OF 9 IN FAVOR AND 0 AGAINST:**

RESOLVED: That it is advisable to authorize and empower the corporation to enter into the field of geothermal heat, energy, generation and other geothermal resources.

BE IT FURTHER RESOLVED: That the Articles of Incorporation of WELLS RURAL ELECTRIC COMPANY be amended by an addition to ARTICLE IV as follows:

"Further authorized purposes and objectives of the corporation are to purchase, start, sponsor, support, carry on, own, operate, conduct, and be engaged in the business of or otherwise deal in all fields of geothermal resources, including but not limited, to geothermal heat, energy and generation of electricity therefrom, including, but not limited to the acquisition of interests in such fields and

businesses through direct ownership, stock ownership, membership, partnership, joint venture or otherwise. The types of businesses may include, but shall not be limited to the development, production, generation, transportation, delivery, distribution and sale of geothermal resources, heat, energy and geothermal generated electricity, directly or with or through the cooperation, contracts or other arrangements with other entities."

BE IT FURTHER RESOLVED: That these resolutions and particularly the proposed amendments to the Articles of Incorporation be submitted to a vote of the members of the corporation entitled to vote thereon at a regular meeting to be held on the 30th day of April, 1988, at Wells High School Auditorium in the City of Wells, County of Elko, State of Nevada, and the Secretary is hereby directed to give notice thereof or secure consent to said meeting, as required by law.

Also discussed was the possibility of scheduling a Board Meeting for the same day of the Annual Meeting. If something were to come up during the Annual Meeting that would need the Board's action, then a Board meeting could be held; if not, a meeting would not be called.

REPORT ON MEMBER CONTACTS:

Reports were given on member contacts made. Updates on member comments and the office payment record were given to the Board for their review. Also handed out to the Board for review were Member Questionnaires.

A discussion was held regarding the old building lease between the City of Wells and WREC.

MANAGER'S REPORT:

A report was given by Dan regarding REA's response to the 120kV Line Sale to Sierra Pacific Power Company. A letter was received from REA stating that they had reviewed the contract with Newmont and in regards to the sale they do not feel that Wells is under any obligation to utilize any portion of the proceeds from the sale to accelerate any payment of power credits due to Newmont under the agreement. REA will consider and approve an amendment to the agreement that would allow WREC to prepay Newmont at the discounted present value rate of the remaining power credits due under the agreement. Upon receipt of the such discounted prepayment, Newmont would no longer be entitled to receive any additional power credits for the purpose of recovering the costs of the electric facilities which were originally financed. A discussion ensued.

A report was given by Dan regarding the proposed 16-40MW contract with Newmont. Terms of the proposed contract were discussed. There were no objections from the Board for Dan and staff to offer the same terms and conditions of the first contract to Newmont.

A meeting is scheduled with Newmont on April 20, 1988 to discuss the above items.

The probability of a new rate class (Industrial) was discussed. A Cost of Service Study is presently underway which will analyze the impacts of establishing this class.

A report on the water outlook for the Northwest region was given.

A discussion was held on BPA's Energy Smart Design Assistance Program. Approval was requested to send a letter to Bob Laffel of BPA stating that WREC will participate under option 3 of the Energy Smart Design Assistance Program; approval granted.

A thank you was received from the Children's Primary Hospital for the donation.

Three Board committee meetings need to be scheduled. The Financial Advisory Friday, May 13, at 10:00 A.M.. Policy Committee - Friday, May 13, at 9:00 A.M.. Scholarship Committee - Tuesday, May 3 (Wendover, Wells, Carlin).

A request from Harry Copelan was received asking to review the Director Expense Policy. He submitted the form under Policy 2-7 Member Information Request. A discussion ensued. IT WAS ON MOTION BY DARYL ERIKSEN TO GRANT MR. COPELAN'S REQUEST. THE MOTION WAS SECONDED BY LOIS NANNINI. Further discussion ensued.

It was suggested that Mr. Copelan pick up the policy at the Wells office and if that is not possible, that Dan Kessler deliver the policy to Mr. Copelan so that it could be explained and questions answered. MOTION PASSED UNANIMOUSLY.

Three videos are available for check out: They are: CFC; Communicating with Legislators; and Building for the Future, regarding economic development.

The NWPPA Annual Meeting is schedule May 24 - 27 in Coeur d'Alene, Idaho.

Dan Kessler will attend. IT WAS ON MOTION BY DARYL ERIKSEN TO APPOINT DAN KESSLER AS A DELEGATE. THE MOTION WAS SECONDED BY LARRY BRADSHAW; THE MOTION PASSED UNANIMOUSLY.

Dan reported on the first Annual NENDA Meeting. A plaque was presented to WREC for their donation. Daryl Eriksen also attended the meeting and gave a report.

Several donation requests were received as follows: Karen Winchell representative for St. Jude's Children Research Hospital; the Board referred it to the Manager. A letter was received from Headstart/Rainbow Connection requesting a donation for A Day of The Young Child; IT WAS ON MOTION BY RAY CRAWFORD TO DONATE \$100.00. THE MOTION WAS SECONDED BY JERRY PARKIN; THE MOTION PASSED UNANIMOUSLY. Also received was a donation request from Friends In Service Helping (FISH). A discussion ensued; IT WAS ON MOTION BY JERRY PARKIN TO DONATE \$200.00. THE MOTION WAS SECONDED BY FERRIS BROUGH; THE MOTION PASSED UNANIMOUSLY.

The January Form 7 was reviewed by the board. It was noted that the February Form 7 will be sent out with the minutes.

Investments made and CFC interest rates were reviewed.

WREC has an agreement with CFC in which we will pay 5% of the CFC Patronage Capital returned from them back to the Integrity Fund. They are returning the year 1980 in which no patronage capital was allocated to WREC; therefore, CFC has requested a donation to the Integrity Fund. IT WAS ON MOTION BY LESLIE SHARP TO HONOR THE AGREEMENT AND NOT TO DONATE ANY ADDITIONAL FUNDS FOR THIS YEAR. THE MOTION WAS SECONDED BY LARRY BRADSHAW; THE MOTION PASSED UNANIMOUSLY.

The Official Notice of the WREC Annual Meeting was received from Ruralite.

Ruralite is in the process of a postal audit. A letter from Vernon Dalton, Board President, will be sent stating that Ruralite is currently being used as the official means of communicating with the members of WREC. The letter was read to the Board.

Sierra Pacific Power Company has filed for a small area of uncertificated territory. It was

recommended that WREC not intervene except for informational purposes only. A discussion ensued. It was noted that WREC is unable to deliver firm power in that area.

A recess was called at 11:30 A.M. The meeting was called back to order at 11:45 A.M..

POWER SUPPLY:

A discussion was held on serving a potential Lime Mine from Wells via the 69kV line.

BOARD COMMITTEE REPORTS:

Leslie Sharp, Insurance & Retirement Committee Chairman, reported on the meeting held at 9:00 A.M. this morning. A discussion was held in regard to the proposed change of Policy 7-2, N. Retirement Plan as follows:

N. Retirement and Savings Plans:

- I. The Company maintains for its regular full-time employees a NRECA Retirement Plan and a NRECA 401k Savings Plan which are available after the employee has satisfied the prescribed waiting period of the Plan.
2. The Retirement Plan has a uniform Benefit of 1.6% of the Participant's Final Average Salary, which is the average of the five highest effective salaries out of the last ten years of participation. The Company shall pay the entire cost of the Retirement Plan.
3. The Company shall contribute 1% of the employees' base salary he/she was being paid on November 15th of the previous year to the 401k Savings Plan after the employee has satisfied the prescribed waiting period of the Plan.
4. All employees are urged to consult with the Manager of Administrative Services about the retirement and Insurance programs available.

IT WAS ON MOTION BY LESLIE SHARP TO APPROVE THE ABOVE CHANGES TO POLICY 7-2, N. THE MOTION WAS SECONDED BY VERNON SCOTT; THE MOTION PASSED UNANIMOUSLY.

ADMINISTRATIVE SERVICES REPORT:

A proposal was received from Tenenbaum-Hill Associates, Inc. (THA) in which THA will evaluate and review all properties owned, managed or controlled by WREC to determine whether, in its opinion, the assessed valuations used by the taxing authorities are excessive. If so determined, THA will attempt to have any such assessed valuations reduced. If THA is successful in causing the assessed valuation of said property to be reduced, the fee payable to THA will be fifty percent of the first two year's tax savings, payable as follows: Fifty percent of first year's tax savings to be paid within 30 days of said notice, and, fifty percent of the second year's tax savings to be paid within one year of the date of said notice. If they are not successful, THA will not charge WREC for any costs incurred by them. A discussion ensued. It was the consensus of the Board to have Bob Vaughan review this matter later in the meeting.

COLLECTION REPORT:

30/60/90 Day Balances report as of 3/20/88 was handed out to the Board for their review. Clay reported on the above report, as well as the Collection Report. A discussion ensued. Also discussed was the possibility of pay as you go meters.

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

ROBERT O. VAUGHAN, ATTORNEY:

Bob Vaughan presented to the Board a bound summary of the recent legal seminars attended by Mr. Vaughan and Mr. Jim Copenhaver. The summary may be of help to the Board and Staff as a reference tool. Mr. Vaughan suggested that the section relating to diversification may be of interest.

120kV Line Sale: CFC is being very cooperative while REA is not so cooperative. A letter of extension (April 22) needs to be signed by the Board President. There were no objections.

Supplemental Deed Bill of Sale of Assignment: In regard to the Deed Bill Sale of Assignment for the 120kV line sale, the attached exhibit, which showed the portion of the Carlin Substation that Sierra was getting, was so reduced the numbers could not be read. The engineers of Sierra made a plat of the exhibit made and reduced it so the exact dimensions could be read. Sierra requested having that attached to the Deed. Bob Vaughan drew up a supplemental deed to be attached to the original deed which included the exhibit above. Mr. Vaughan reviewed and explained the supplemental deed to the Board. IT WAS ON MOTION BY VERNON SCOTT TO HAVE THE BOARD PRESIDENT SIGN THE SUPPLEMENTAL DEED BILL OF SALE OF ASSIGNMENT TO SIERRA. THE MOTION WAS SECONDED BY JERRY PARKIN; THE MOTION PASSED UNANIMOUSLY.

A discussion ensued regarding assigning several people as assistant secretaries. IT WAS ON MOTION BY JERRY PARKIN TO ASSIGN MARY WRIGHT, LOIS NANNINI AND RAY CRAWFORD AS ASSISTANT SECRETARIES. THE MOTION WAS SECONDED BY DARYL ERIKSEN; MOTION PASSED UNANIMOUSLY.

Tenenbaum-Hill Associates, Inc.: Further discussion ensued regarding the proposal received from Tenenbaum-Hill. Dan will contact Valley Electric whom THA is representing at this time and Mt. Wheeler Power for more information. Due to the time frame of the upcoming Nevada Tax Commission meeting, it was suggested that a letter is to be attached to the agreement stipulating conditions that any action by the firm (THA), subsequent to their meeting with the Nevada Tax Commission and staff, shall be subject to further approval of Wells Rural Electric Company. IT WAS ON MOTION BY FERRIS BROUGHT TO SIGN THE AGREEMENT IF THA WILL ACCEPT THE ABOVE STATED LETTER AS A STIPULATION TO THE AGREEMENT AND HAVE THE MANAGER GATHER MORE INFORMATION. THE MOTION WAS SECONDED BY LESLIE SHARP; THE MOTION PASSED UNANIMOUSLY.

Additional Board Meeting During Annual Meeting: Further discussion ensued in regards to setting a Board Meeting between 2:00 P.M. and 4:00 P.M. April 30, 1988, at the call of the Chair. The members meeting could be recessed to allow said Board Meeting and then called back to order after the Board Meeting. IT WAS ON MOTION BY DARYL ERIKSEN TO SET A BOARD MEETING APRIL 30, 1988, BETWEEN 2:00 AND 4:00 P.M., AT THE CALL OF THE CHAIR. THE MOTION WAS SECONDED BY LARRY BRADSHAW; THE MOTION PASSED UNANIMOUSLY.

CFC Contract Amendment: The Utah Public Service Commission has granted their approval for the amendment (giving WREC the ability to go back and forth between fixed and variable rates) to the CFC mortgage agreements. The amendment will be brought before the Board at the May Meeting.

1988 Legal Seminar XXVIII: The seminar will address legal problems, opportunities and alternatives for rural electric systems that want to diversify. Also to be addressed will be economic development rates and the ramifications.

Mt. Wheeler: The Board of Director election results were reported.

Petrolane Lease: Bob suggested dealing with the tenant (Petrolane) before land is acquired. A discussion ensued. It was suggested that a meeting be scheduled between Petrolane, Dan Kessler and Daryl Eriksen. There were no objections.

WPPSS Update: An Executive Session was called.

A recess was called at 2:30 P.M.

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

OFFICE SERVICES:

First Interstate Bank of Nevada requested an authorization be signed for bank wire transfers. Approval was asked that Dan Kessler, Clay Fitch, Sheryl Uhlig, and Lynn Brodsho have said authorization. IT WAS ON MOTION BY VERNON SCOTT TO GRANT AUTHORIZATION TO THE ABOVE STATED PEOPLE. THE MOTION WAS SECONDED BY RAY CRAWFORD; THE MOTION PASSED UNANIMOUSLY.

SAFETY MINUTES:

IT WAS ON MOTION BY LARRY BRADSHAW TO APPROVE THE SAFETY MINUTES. THE MOTION WAS SECONDED BY RAY CRAWFORD; THE MOTION PASSED UNANIMOUSLY.

STAKING/CONSTRUCTION REPORT:

A discussion was held regarding the substantial growth in Carlin and the possibility of adding one more person to the line crew in Carlin.

MEMBER SERVICES REPORT:

Update on the Annual Meeting preparation.

NEW MEMBERSHIPS:

IT WAS ON MOTION BY VERNON SCOTT TO APPROVE 64 NEW MEMBERSHIPS: 9 IN WELLS, NEVADA; 18 IN CARLIN, NEVADA; 21 IN WENDOVER, NEVADA; AND 16 IN WENDOVER, UTAH. THE MOTION WAS SECONDED BY LESLIE SHARP; THE MOTION PASSED UNANIMOUSLY.

BOARD RETREAT:

A discussion was held on a Board Retreat date and place. A date was set for September 10, 1988. Suggestions as to where to hold the retreat will be discussed at the May Meeting.

Also discussed at this time was the Annual Meeting date.

ACCOUNTING FIRM:

A letter was received from Fleming, Reiss, Little and Company asking that WREC consider them for our business. The letter was reviewed by the Board. A letter will be sent back to the firm acknowledging the letter.

As there was no further business to come before the Board, the meeting was adjourned at 3:30 P.M.

D. Vernon Dalton, President

Mary A. Wright, Assistant Secretary