

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

MAY 20, 1988

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in the Wells office and called to order May 20, 1988, at 9:00 A.M.. The meeting was presided over by President Vernon Dalton.

Directors present were Wanda Borden, Larry Bradshaw, Ferris Brough, Ray Crawford, Vernon Dalton, Daryl Eriksen, Lois Nannini, Jerry Parkin, Leslie Sharp, and Mary Wright. Vernon Scott 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 April 19, 1988 will stand approved as written.

ADDITIONS TO AGENDA:

It was asked that Dave Harper of PNGC (Pacific Northwest Generating Company) be added. Also added was Dale Christensen of Foreland Corporation. There were no objections.

DAVE HARPER, PNGC:

Mr. Harper addressed the purposes and goals of PNGC. One of the prime goals of PNGC is to maintain pressure on Bonneville to not increase rates. At this time Bonneville is looking at a 5% rate increase in October 1989. He also addressed what is happening with Bonneville Power and Northwest Power Planning Council, as well as preference power. Also noted was the most recent estimate of surplus power which is 1000-1400 MW. Mr. Harper addressed the Intertie Access Policy, FERC's role, Utah Power/Pacific Corp. merger and possible effects to preference power, and high prices of aluminum and its effects on rate stability. A discussion ensued.

DALE CHRISTENSEN, FORELAND CORP:

Foreland Corporation is a gas and oil development corporation. Dale Christensen requested service to the oil wells they are developing in Pine Valley. He stated that the 35 Year minimum contract requirement is detrimental to Foreland.

Foreland also requested permission to drill on our right-of-way. They would compensate WREC for moving the line if the need arises. IT WAS ON MOTION BY JERRY PARKIN TO GRANT APPROVAL AND HAVE VERNON DALTON SIGN THE RIGHT-OF-WAY EASEMENT THE MOTION WAS SECONDED BY WANDA BORDEN: MOTION PASSED UNANIMOUSLY. (EXHIBIT 1)

PINE VALLEY MINIMUM BILLING:

Clay and Warren addressed the existing loads, potential loads, existing revenues from those loads and prospective revenues from the additional loads. A thorough discussion ensued in which it was the consensus, based on a feasibility study prepared by POWER Engineers, that the existing revenue stream from the entire Pine Valley distribution line now provides for the debt service requirement and that the minimums to the Pine Valley consumers could be eliminated. IT WAS ON MOTION BY

MARY WRIGHT TO DROP THE EXISTING MINIMUM POWER BILL REQUIREMENT FOR PINE VALLEY. THE MOTION WAS SECONDED BY DARYL ERIKSEN: THE MOTION PASSED UNANIMOUSLY.

A recess was called at 10:45 A.M.

The meeting was called back to order at 11:00 A.M.

WENDOVER LAND:

A report was given by Daryl Eriksen on the meeting with Petrolane in regard to the lease Petrolane has with Stateline Properties. It seemed that Petrolane might be willing to negotiate another lease for a different parcel of land from Stateline Properties and vacate the premises they are now on. A thorough discussion ensued. IT WAS ON MOTION BY DARYL ERIKSEN TO GRANT AUTHORIZATION TO DAN KESSLER TO NEGOTIATE THE SALE OF OUR PROPERTY AT THE APPRAISED PRICE IN EXCHANGE FOR STATELINE PROPERTY AT THE ASKING PRICE, WITH THE CONDITION THAT STATELINE NEGOTIATE THE TERMINATION OF THE LEASE WITH PETROLANE. ALSO STIPULATED WAS A PERIOD OF TIME TO RELINQUISH OUR USAGE OF THE PROPERTY WE NOW OWN. THE MOTION WAS SECONDED BY WANDA BORDEN. Further discussion ensued. THE MOTION PASSED UNANIMOUSLY.

GEOHERMAL UPDATE:

A letter was received stating that WREC was chosen for the Governor's Energy Award. Dan reported.

LEGISLATIVE CONFERENCE:

Reports were given by Vernon Dalton, Daryl Eriksen, Ray Crawford, Mary Wright and Dan Kessler.

The signatures for the 120kV Line Sale were obtained from CFC and REA. The sale is in process of being finalized. The first payment has been received from SPPCO.

MEMBER CONTACTS:

Reports were given on contacts made. Member Comments and Office Payment records were handed out to the Board for their review.

MANAGER'S REPORT:

A discussion was held regarding the pending amendment to the Newmont Agreement. A draft copy was sent to Newmont's management.

An amended wheeling agreement for the US Sprint Wheeling Agreement will be brought before the Board at the next Board meeting.

Cost of Service Study is near completion.

Due to several conflicts with the scheduling of the June 17th Board meeting, it was requested that the Board meeting be moved to June 7th. There were no objections.

CFC rates and investments made were reviewed.

The following people were selected to serve on the Nominating Committee: Shirley Garrett of Deeth,

Lourinda Wines of Ruby Valley, Brigitte Brough of Wells, and Donna Bailey of Pine Valley, with Luana Dean of Wendover as 1st alternate and Viola Troyan of Wendover as 2nd alternate. IT WAS ON MOTION BY RAY CRAWFORD TO APPROVE THE SELECTION FOR THE NOMINATING COMMITTEE. THE MOTION WAS SECONDED BY JERRY PARKIN; MOTION PASSED UNANIMOUSLY.

Bob Vaughan and Jim Copenhaver requested the Board's approval to attend the XXVIII Legal Seminar to be held in Colorado Springs June 30 and July 1 and that WREC pay half of the expenses with Mt. Wheeler paying the other half. IT WAS ON MOTION BY LESLIE SHARP TO APPROVE BOB VAUGHAN AND JIM COPENHAVER ATTENDING THE LEGAL SEMINAR AND THAT WREC WILL PAY ONE HALF OF THE EXPENSES, MT. WHEELER POWER THE OTHER HALF. THE MOTION WAS SECONDED BY JERRY PARKIN; MOTION PASSED UNANIMOUSLY.

Dan was asked and agreed to fill the vacancy on the Region IX Wood Quality Control program.

CFC wrote to us regarding their 5 year line of credit program.

The next business to come before the meeting concerned the loans from CFC and the conversion of the same from a fixed interest rate. The loans involved were Nevada 15 E6-9003 in the aggregate principal sum of \$270,000.00 and Nevada 15 F6-9009 in the aggregate principal sum of \$1,579,000.00. After a full discussion of the matters, ON THE MOTION OF DIRECTOR DARYL ERIKSEN SECONDED BY DIRECTOR LARRY BRADSHAW, THE FOLLOWING RESOLUTIONS WERE ADOPTED BY A VOTE OF 10 IN FAVOR AND 0 AGAINST: (Exhibit II)

Re: Nevada 15 E6-9003:

1. WHEREAS, at a meeting of the Board of Directors of the Cooperative held November 24, 1986, the Board approved the conversion of the interest rate applicable to Loan Designation Nevada 15 E6-9003 from a fixed interest rate; and
2. WHEREAS, the fixed interest rate program was the only program available at the time the loan was approved and therefore the only program contemplated under the original loan agreement and note, therefore the amendment of the original loan agreement and issuance of a substitute promissory note are necessary to effect and interest rate option, all in accordance with CFC policy:
3. BE IT FURTHER RESOLVED that the president is authorized on behalf of the Cooperative to execute and deliver under its corporate seal which the secretary is directed to affix and attest;
 - (a) as many counterparts respectively as shall be deemed advisable of the CFC amending loan agreement, pertinent to Loan Designation Nevada 15 E6-9003, substantially in the form submitted to this meeting; and
 - (b) a substitute secured promissory note or notes, pertinent to Loan Designation Nevada 15 E6-9003, payable to the order of the National Rural Utilities Cooperative Finance Corporation, in the aggregate principal amount of \$270,000.00 bearing interest at the interest rate referred to therein and providing for the payment of the indebtedness evidenced thereby on the date referenced therein substantially in the form of the note presented to this meeting; and

4. RESOLVED that the officers of the Cooperative be, and each of them is, authorized in the name and on behalf of the Cooperative, to execute all such 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.

Re: Nevada 15 F6-9009:

1. WHEREAS, at a meeting of the Board of Directors of the Cooperative held November 24, 1986, the Board approved the conversion of the interest rate applicable to Loan Designation Nevada 15 E6-9009 from a fixed interest rate; and

2. WHEREAS, the fixed interest rate program was the only program available at the time the loan was approved and therefore the only program contemplated under the original loan agreement and note, therefore the amendment of the original loan agreement and issuance of a substitute promissory note are necessary to effect an interest rate option, all in accordance with CFC policy:

3. BE IT FURTHER RESOLVED that the president is authorized on behalf of the Cooperative to execute and deliver under its corporate seal which the secretary is directed to affix and attest;

(a) as many counterparts respectively as shall be deemed advisable of the CFC amending loan agreement, pertinent to Loan Designation Nevada 15 E6-9009, substantially in the form submitted to this meeting; and

(b) a substitute secured promissory note or notes, pertinent to Loan Designation Nevada 15 E6-9009, payable to the order of the National Rural Utilities Cooperative Finance Corporation, in the aggregate principal amount of \$1,579,000.00 bearing interest at the interest rate referred to therein and providing for the payment of the indebtedness evidenced thereby on the date referenced therein substantially in the form of the note presented to this meeting; and

4. RESOLVED that the officers of the Cooperative be, and each of them is, authorized in the name and on behalf of the Cooperative, to execute all such 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.

A break was called for lunch at 12:00 P.M.

The meeting was called back to order at 1:00 P.M.

WPPSS UPDATE:

An update was given by Dan. Also a news release prepared by Bob Vaughan regarding the Bondholders suit and settlement was presented to the Board for review. (Exhibit III)

BOARD COMMITTEE REPORTS:

A report was given by Mary Wright on the Policy Committee meeting held May 13. The following addition to Policy 7-2 was submitted for approval:

III. Conditions of Employment

A. Pre-employment and Continuing Work Physicals

1. Pre-employment physical examination forms must be completed and certified prior to employment. This examination will be conducted at a medical facility authorized by the Company and at the Company's expense. The Company requires that all employees be tested for drug use as a part of the pre-employment physical examination.

IT WAS ON MOTION BY MARY WRIGHT TO ADOPT III. CONDITIONS OF EMPLOYMENT AS STATED ABOVE TO POLICY 7-2. THE MOTION WAS SECONDED BY FERRIS BROUGH; MOTION PASSED UNANIMOUSLY.

A report was given by Wanda Borden on the Financial Advisory Committee meeting held May 13. IT WAS ON MOTION BY WANDA BORDEN TO APPROVE THE FIRST QUARTER 1989 BUDGET AND AUGMENTATIONS AS PRESENTED. THE MOTION WAS SECONDED BY JERRY PARKIN. A discussion ensued. THE MOTION PASSED UNANIMOUSLY.

A report was given by Ray Crawford on the Scholarship Committee meeting held May 3. Seven students were interviewed. Luis Rodriguez of Wells was chosen as the Scholarship recipient. Chris Boroughs of Carlin was chosen as alternate. IT WAS ON MOTION BY RAY CRAWFORD TO APPROVE THE SELECTION OF THE SCHOLARSHIP COMMITTEE. THE MOTION WAS SECONDED BY LARRY BRADSHAW. A discussion ensued regarding specifying to the counselors and students the qualifications of attending a vocational or trade school. THE MOTION PASSED UNANIMOUSLY.

ADMINISTRATIVE SERVICES REPORT:

A report was handed out on Director Expenses.

COLLECTION REPORT:

Clay reported. All the irrigation accounts have been paid in full.

OFFICE SERVICES REPORT:

The Cost of Service Study and the Motorola Study will be ready at the next meeting.

SAFETY MINUTES:

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

STAKING/CONSTRUCTION REPORT:

Fort Ruby Ranch has again asked for service. They are out of the 75 mile BPA Boundary. A discussion ensued whether we should obtain full membership with PNGC and looking into the possibility of purchasing power from them to serve outside of the BPA boundary.

ENGINEERING & OPERATIONS REPORT:

Lloyd Hildestad may be retiring within the year. We are looking at hiring a new Warehouseman in early to mid-summer for training.

OUTAGE REPORT:

Outages are down to less than 1/2 hour per consumer.

HYDRO REPORT:

FERC will send the final recommendations for the Hydro license.

NEW MEMBERSHIPS:

IT WAS ON MOTION BY DARYL ERIKSEN TO APPROVE 65 NEW MEMBERS: 21 IN WELLS; 4 IN CARLIN; AND 25 IN WENDOVER, NEVADA; AND 15 IN WENDOVER, UTAH. THE MOTION WAS SECONDED BY RAY CRAWFORD; MOTION PASSED UNANIMOUSLY.

As there was no further business to come before the Board, the meeting was adjourned at 2:00 P.M..

D. Vernon Dalton, President

Wanda Borden, Secretary