

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

**SEPTEMBER 16, 1988**

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in the Wells office and called to order September 16, 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, Vernon Scott, Dr. Joe Smith, and Mary Wright.

Present from the staff were Dan Kessler, General Manager; Warren Linnell, Engineering and Operations Manager; Buddy Welsh, Manager of Administrative Services; Paul Johnson, Manager of Member Services; Clay Fitch, Manager of Office Services; and Diane Griswold, Confidential Secretary. Bob Vaughan, Attorney, was also present.

## **APPROVAL OF THE MINUTES:**

The minutes of the regular meeting of August 23, 1988, will stand approved as written.

## **ADDITIONS TO THE AGENDA:**

It was requested that the Annual Meeting date (possible change) and a Safety Trailer Demonstration be added. There were no objections.

## **ELECTION COMMITTEE REPORT:**

Vernon Dalton gave the Election Committee Report (Exhibit 1). The members of the Committee were Bessie Winchell, Deeth; Ruth Young, Carlin; and Viola Troyan, Carlin, with Jim Copenhaver, Attorney, and staff Debbie Bitton and Sharon Mathias. The Company Record Clerk, Mary Zearing, also attended. The vote count was as follows: Total ballots 621 - 605 counted, 16 rejected; Leslie Sharp, 342; Larry Bradshaw, 366; Dr. Joe Smith, 390; Paul Moschetti, 337; Wanda Borden, 364. Those elected were Dr. Joe Smith, Larry Bradshaw, and Wanda Borden. IT WAS ON MOTION BY RAY CRAWFORD TO APPROVE THE ELECTION COMMITTEE REPORT. THE MOTION WAS SECONDED BY FERRIS BROUGH; MOTION PASSED UNANIMOUSLY. President Dalton congratulated the elected directors and welcomed Dr. Smith to the Board.

## **BOARD OFFICERS ELECTION:**

Attorney Bob Vaughan conducted the election of officers with the following results : President - Vernon Dalton (Vernon abstained from voting) - 10; Vice-President - Daryl Eriksen (abstained from voting) - 7, Ray Crawford - 2, and Larry Bradshaw - 1; Secretary/Treasurer - Wanda Borden - 7, Mary Wright - 4. Those elected were Vernon Dalton, President; Daryl Eriksen, Vice-President; and Wanda Borden, Secretary/Treasurer. Mary Wright was appointed as Assistant Secretary/Treasurer; there were no objections.

## **BOARD COMMITTEES:**

Committee assignments for the last year were passed out to the Board. Each Board member is to specify which committees they would like to serve on. The Board officers will make the final determination of who serves on each committee at the next Board meeting. For the present time, Dr. Smith will serve on the committees assigned to Les Sharp.

## WENDOVER LAND:

A thorough and lengthy discussion ensued regarding the placement of a 20,000 gallon propane tank belonging to Petrolane. It was reported that Petrolane stated the tank does not need to be placed on the property that Petrolane now leases from Stateline. Also discussed were the options of WREC possibly buying out the lease Petrolane has with Stateline (also stated they may not be interested in this option but to make an offer), placing the tank on another site, and Petrolane leasing space from WREC (office and show room space). The lease expires November 1, 1992, with the 5 year option attached, November 1, 1997. Bob Vaughan suggested going into Executive Session to discuss our legal position. President Vernon Dalton called an Executive Session. After a lengthy discussion, IT WAS ON MOTION BY WANDA BORDEN TO OFFER PETROLANE THE USE OF THE LAND THAT WREC LEASES FROM THE CITY OF WENDOVER (IF PERMISSIBLE WITH THE CITY) FOR A POLE YARD TO PLACE THEIR 20,000 GALLON PROPANE STORAGE TANK, RENT FREE, WITH THE STIPULATION THE RENT RUN CONCURRENTLY WITH THE TERM OF THE EXISTING LEASE; THAT THE DECISION TO RENEGOTIATE PURCHASING THE LEASE FROM PETROLANE OR PETROLANE LEASING SPACE FROM WREC BE MADE AFTER THE DECISION OF WHAT TYPE OF BUILDING, ETC. WREC WILL PLACE ON THE HIGHWAY 40 PROPERTY HAS BEEN MADE; AND THAT PETROLANE CAN LEAVE THE EXISTING RV SERVICE TANK ONLY, NO ADDITIONAL FACILITIES, ON THE HIGHWAY 40 PROPERTY. THE MOTION WAS SECONDED BY RAY CRAWFORD. Further discussion ensued. It was the consensus of the Board to delay action on this motion until later in the meeting. There were no objections. The City of Wendover (Mayor Glen Beck) had been contacted regarding the possibility of increasing our pole yard lease 9 to 10 more years and could we offer Petrolane the use of pole yard to store the 20,000 gallon tank.

A recess was called at 10:30 a.m.

The meeting was called back to order at 10:45 a.m.

## COST OF SERVICE/RATE STUDY:

Results of the Cost of Service Study were passed out to the Board for their review and discussion. It was recommended that a 17% system-wide rate reduction be reviewed. A thorough and lengthy discussion ensued. The discussion on rates was tabled until after the Capital Credits discussion.

Clay Fitch reported on Capital Credit methodology. Capital Credit Methodology Comparison tables were handed out to the Board for their review. Bob Vaughan addressed the five different ways to retire Capital Credits (FIFO; FIFO on a percentage basis; FIFO/LIFO (equal percentage); strict percentage; and LIFO) and the legal ramifications, if any, if the Company changes methods from FIFO which is what we now use. A final legal opinion has not been issued due to awaiting the answers to some questions regarding the discounting to Newmont and how it would affect the Company's tax status. A discussion ensued. A Capital Credit Committee was formed consisting of Ray Crawford, Daryl Eriksen, and Wanda Borden. Ray was appointed Chairman. They are to review all the aspects of a Capital Credit Program and make a recommendation to the Board. A report is to be given at the next Board meeting. It was noted that a paragraph could be placed into the Newmont Contract stating that the Capital Credit Program could be changed by the Board.

The Cost of Service Study discussion was continued. The discussion was tabled until after lunch.

A lunch recess was called at 12:00 noon. The meeting was called back to order at 1:00 p.m. with the rate discussion continuing. Bob Vaughan did not attend the afternoon session.

A breakdown of the rate reductions by class of service is as follows: Village and Rural Residential -

5.08%; Seasonal - 18.57%; Small Commercial - 9.35%; Irrigation - 13.2%; 50-1000 kill - 5.1%; 1000-5000 kill - 13.7%; Industrial - 33.6%. Further discussion ensued. IT WAS ON MOTION BY MARY WRIGHT TO APPROVE THE PROPOSED RATE REDUCTION SCHEDULE AS PRESENTED. THE MOTION WAS SECONDED BY JERRY PARKIN. Further discussion ensued. THE MOTION PASSED UNANIMOUSLY. This reduction becomes effective on the December billing.

#### WENDOVER LAND (continued):

Mayor Glen Beck stated that he did not foresee any problem with increasing the lease to 1992 with a 5 year option to renew or allowing Petrolane to use the pole yard for tank storage. The City of Wendover lease is for a parcel of land 250' X 100' for \$187.50 per month. After further discussion the MOTION MADE BY WANDA BORDEN AND SECONDED BY RAY CRAWFORD REGARDING THE PETROLANE STORAGE TANK AND LEASE PASSED UNANIMOUSLY. Wendover City attorney, Doug White, will draw up an extension to the City of Wendover and WREC lease through November 1992 and at that time a 5 year option to renew. The extended lease will be contingent upon Petrolane accepting our proposal.

#### REPORT ON MEMBER CONTACTS:

The Member Comments and Office Payment records, Thank You's, Please Tell Us How We Did cards, Think Service cards, and Board and Administrator publication were handed out to the Board for review. Also received was a letter from the City of Wendover thanking WREC for choosing the land on Highway 40 to build a new office facility. Also handed out for Board review were statements made by Bush and Dukakis regarding the rural electric program.

A discussion was heard regarding service problems concerning one of our consumer's irrigation systems.

#### MANAGER'S REPORT:

A meeting is scheduled with Newmont Monday, September 19, at Bob Vaughan's office regarding the Contract Amendment. Rates and how they will manage their new single large load with BPA will be discussed also. A report will be given at the October Board meeting.

July Form 7's were handed out for Board review.

Investment update was given and interest rates reviewed.

A donation request was received from the City of Carlin requesting \$350.00 (our proportionate share) for a fire hydrant on the southeast corner of Fir and 14th Streets. At this time there is not adequate coverage if the Carlin office building caught on fire. IT WAS ON MOTION BY JERRY PARKIN TO DONATE \$350.00 TO THE CITY OF CARLIN FOR THE PURCHASE OF A FIRE HYDRANT ON THE CORNER OF FIR AND 14TH STREETS. THE MOTION WAS SECONDED BY VERNON SCOTT. THE MOTION PASSED UNANIMOUSLY.

The Northern Nevada Community College Foundation donation request for equipment was reviewed by the Board. Upon recommendation of staff, IT WAS ON MOTION BY WANDA BORDEN TO DONATE A THREE PHASE 480 VOLT DELTA 240/120 SECONDARY 4 WIRE 30KVA TRANSFORMER IN LES SHARP'S NAME. THE MOTION WAS SECONDED BY JERRY PARKIN; THE MOTION PASSED UNANIMOUSLY.

The NRECA and CFC delegates and alternates for the Region IX and NRECA Annual Meeting were elected as follows: NRECA delegate - Ray Crawford, alternate Vernon Scott; CFC delegate - Daryl

Eriksen; alternate - Dr. Joe Smith. Those planning on attending the NRECA Annual Meeting are Ray Crawford, Larry Bradshaw, Daryl Eriksen, Vernon Scott, Ferris Brough and Dr. Joe Smith. Mary Wright was selected as the WREC delegate to vote for the election of the Nevada representative to the NRECA Board.

The Board Evaluation dates of October 18 and 19 were confirmed by John Mashaw.

WREC has received national recognition for the geothermal design of our building. Vernon Dalton and Dan Kessler will attend the award ceremony in Washington, D.C. to receive the National Awards Program for Energy Innovation award.

A discussion was heard on the possibility of forming a geothermal heating subsidiary. A report is expected from POWER Engineers, Inc. and will be given at the October Board meeting. Also discussed was the possibility of forming a subsidiary of NRTC. A report was given. It was suggested that we look into the possibility of having a professional marketing survey done.

A write-up in the Elko Daily Free Press regarding the Safety Demonstration Trailer at the Elko County Fair was handed out to the Board for review. Several calls have been received asking for the use of the demo trailer. Warren Linnell, Chad Swett, and Jeff Mitton were commended on a job well done.

Vernon Dalton reported on the BPA/PNGC/WREC meeting held in Portland September

13. Load growth and increasing energy needs were addressed. It was noted that BPA is seriously looking into the feasibility of building a transmission line to us. It was noted, if the projections come to pass, that within 2 to 3 years an additional 40 MW may be needed.

Nevada Rural Electric Association Annual Meeting will be hosted by Valley Electric in Pahrump November 30 and December 1, 1988. Mel Close, Valley Electric's Attorney; Bill Crisp, NRECA consultant; and Bob Vaughan will hold a Lawyer's panel on November 30. Dan has offered to host the 1989 NREA Annual Meeting.

The Rural Electric Advocates of Nevada, NREA's political action committee arm, met and decided to allocate funds to the following candidates: Dean Rhoads, \$2,600.00; Virgil Ghetto, \$2,000.00; Gaylyn Spriggs, \$1,000.00; and John Carpenter, \$500.00. Several key issues for the upcoming Legislative Session were discussed (i.e., possibility of Mt. Wheeler falling under the Public Service Commission's control; unclaimed patronage capital donated back to cooperatives; Tort Reform issues).

The Legal Mix seminar will be held in October in San Antonio.

Utah Rural Electric Association Annual Meeting will be hosted by Moon Lake in Roosevelt, Utah November 3 and 4.

A letter was received from Bob Bergland thanking us for the \$100.00 contribution to the Bob Partridge Chair for Cooperative Leadership at the University of Missouri. They were trying to reach their goal of \$1.1 million and are presently at \$850,000.00 and asked if we would donate an additional amount to help reach that goal. Vernon Dalton reported. **IT WAS ON MOTION BY DARYL ERIKSEN TO DONATE \$200.00 TO THE FUND. THE MOTION WAS SECONDED BY LARRY BRADSHAW; THE MOTION PASSED UNANIMOUSLY.**

Ken Schlecht has resigned his position as Distribution Engineer. At the present time, the position will not be filled.

A resolution is needed for our participation in BPA's Energy Smart Design to bring us into full compliance with the Model Conservation Standards. IT WAS ON MOTION BY VERNON SCOTT TO SIGN THE RESOLUTION OF PARTICIPATION IN BPA CONSERVATION PROGRAM - ENERGY SMART DESIGN ASSISTANCE PROGRAM, OPTION III. THE MOTION WAS SECONDED BY LARRY BRADSHAW. THE MOTION PASSED UNANIMOUSLY. (Exhibit II)

A new system peak has been reached (38.6 MW). The breakdown is as follows: Wells - 7.0 MW; Wendover - 8.5 MW; Carlin - 4.8 MW; and Maggie Creek - 18.3 MW.

#### BOARD COMMITTEE REPORTS:

Several Board Committee meetings need to be scheduled before the next Board meeting. Policy Committee to discuss the Drug Testing policy, and sick-leave policy; the Insurance and Retirement Committee to discuss 401K program, 1% contribution for the employees and our retirement; and the Capital Credit Committee. Wednesday, September 28, 1988 with the Policy Committee to meet at 11:00 a.m. and the Insurance and Retirement Committee to meet at 1:00 p.m. Larry Bradshaw was appointed as chairman for the Committee. The Capital Credit Committee is scheduled to meet Monday October 17, at 9:00 a.m. It was suggested that the Member Relations and Area Development Committee put together an environmental impact statement on the proposed plant by Sierra Pacific Power Company.

#### COLLECTION REPORT:

The Collection Report was reviewed by the Board.

#### OFFICE SERVICES REPORT:

For the checking account at First Interstate Bank, signatures were requested (D. Vernon Dalton, Daryl Eriksen, Wanda Borden, and Daniel Kessler). A discussion ensued. IT WAS ON MOTION BY RAY CRAWFORD TO APPROVE THE ABOVE SIGNATURES FOR CORPORATION SIGNATURE CARD AT FIRST INTERSTATE BANK. THE MOTION WAS SECONDED BY LARRY BRADSHAW; MOTION PASSED UNANIMOUSLY.

REA Accounting classes through RECNET have been offered and several employees have taken the classes.

#### SAFETY MINUTES:

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

#### ENGINEERING/OPERATIONS REPORT:

At the August 23, 1988 Board Meeting, signature approval was granted for the Plant #5 Bid Documents. It was requested that the corresponding Resolution also be signed. IT WAS ON MOTION BY LARRY BRADSHAW TO APPROVE THE PLANT 5 SUBSTATION AND TRANSMISSION LINE RESOLUTION. THE MOTION WAS SECONDED BY DARYL ERIKSEN; MOTION PASSED UNANIMOUSLY. (Exhibit III)

#### HYDRO REPORT:

An update was given regarding the licensing of the Hydro. The licensing decision by FERC is still being delayed due to a pending similar case in California. A thorough discussion was held

concerning the needed repairs required around the outlet structure at the reservoir. Preliminary estimates are in the area of \$9,500.00. This estimate is for excavation and cement capping of the damaged reservoir face at the outlet structure.

NEW MEMBERSHIPS:

IT WAS ON MOTION BY VERNON SCOTT TO APPROVE 61 NEW MEMBERSHIPS: 7 - WELLS; 17 CARLIN; 17 - WENDOVER, NEVADA; AND 20 - WENDOVER, UTAH. THE MOTION WAS SECONDED BY FERRIS BROUGH; MOTION PASSED UNANIMOUSLY.

ANNUAL MEETING DATE:

A discussion ensued regarding the Annual Meeting date. IT WAS ON MOTION BY DARYL ERIKSEN TO LOOK AT THE LAST TWO WEEKS IN SEPTEMBER. THE MOTION WAS SECONDED BY WANDA BORDEN. THE MOTION PASSED UNANIMOUSLY. Also discussed was having Roy Polk of NRECA as the guest speaker next year.

IT WAS ON MOTION BY MARY WRIGHT TO EXPRESS DEEPEST SYMPATHIES TO SANDRA SHARP. THE MOTION WAS SECONDED BY FERRIS BROUGH. THE MOTION PASSES UNANIMOUSLY.

CFC Trend Analysis was tabled until the next Board meeting. There were no objections.

The Safety Trailer Demonstration will be given immediately following the meeting.

As there was no further business to come before the Board, the meeting adjourned at 3:15 p.m.

D. Vernon Dalton, President

Wanda Borden, Secretary