

**HTML contains invalid UTF-8 character(s)****MINUTES OF THE REGULAR BOARD MEETING OF THE BOARD OF DIRECTORS OF  
WELLS RURAL ELECTRIC COMPANY****April 16, 1999**

The regular meeting of the Board of Directors of Wells Rural Electric Company was held in Wells, Nevada in the Boardroom of the Wells office and called to order Friday, April 16, 1999 at 9:00 am. The meeting was presided over by President D. Vernon Dalton.

Directors present were: Gerald Anderson, D. Vernon Dalton, Daryl Eriksen, Robert Harris, Orlin Kidner, Lois Nannini, Paul Neff, Jerry Parkin, Vernon Scott, S. J. Smith, and Mary A. Wright.

Staff members present were Daniel L. Kessler, Jr., Chief Executive Officer, Clay Fitch, Chief Financial Officer, and Jim Su[[#146]]euga, Mgr. Marketing/Customer Services. Also present was Amanda Bourne, Executive Secretary and Don Angell, Engineering Consultant.

**ACTION ITEMS:****APPROVAL OF MINUTES:**

The minutes of the regular meeting of March 19, 1999 were approved as written.

**ADDITIONS TO AGENDA:**

- Next \$ Foundation
- Budget

**SAFETY FIRST VERSE:**

Test all fire alarms at least twice a year. This could save your life and the lives of others.

**EXECUTIVE SESSION:**

An executive session was not held.

**AUDIT REPORT:**

Mr. Robert Cobb of Bolinger, Segars, Gilbert & Moss, LLP. gave a detailed Wells Rural Electric Company and Quantum Resources, Inc. consolidated 1998 audit. Board and staff reviewed balance sheets and cash flow sheets for Wells Rural and Quantum. Following the presentation and discussion, IT WAS ON MOTION BY PAUL NEFF, SECONDED BY ROBERT HARRIS AND PASSED UNANIMOUSLY TO APPROVE THE 1998 CONSOLIDATED AUDIT.

A recess was called at 10:20 am. The meeting was called back to order at 10:35 am.

**CEO[[#146]]S REPORT:**

ACRE Resolution: Dan read an excerpt of the June 30, 1998 minutes pertaining to board ACRE dues. Following a discussion, IT WAS ON MOTION BY DARYL ERIKSEN,

SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO AMEND THE MINUTES OF THE JUNE 30, 1998 BOARD MEETING TO READ: ACRE CENTURY CLUB MEMBERSHIP DUES FOR BOTH DIRECTOR AND SPOUSE WILL BE DEDUCTED FROM THE DIRECTOR **[[#146]]**S PAYCHECK AT THE BEGINNING OF EACH ACRE YEAR (SEPTEMBER).

Following further discussion, IT WAS ON MOTION BY S. J. SMITH, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO RESCIND THE PREVIOUS MOTION.

IT WAS ON MOTION BY S. J. SMITH, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE ACRE CENTURY CLUB MEMBERSHIP DUES FOR BOTH DIRECTOR AND SPOUSE WILL BE DEDUCTED FROM THE DIRECTOR **[[#146]]**S PAYCHECK AT THE BEGINNING OF EACH ACRE YEAR, OVER A PERIOD OF TWO MONTHS (SEPTEMBER AND OCTOBER), UNLESS DIRECTOR INSTRUCTS THE CEO TO EXCLUDE HIMSELF/HERSELF OR THAT OF HIS/HER SPOUSE.

Y2K RFP Selection **[[#150]]** Don Angell reported out of the seven requests for proposals sent, three bids were received. Staff and the Y2K Team evaluated each bid and using a point system for each area, determined the best qualified to perform the audit is Power System Engineering from Wisconsin. Staff recommended Power System Engineering to conduct the Y2K compliance audit for Wells Rural. Their bid was to not to exceed \$20,000.00. They also included a bid of \$10,000.00 to conduct on-site training. Discussion ensued. IT WAS ON MOTION BY ROBERT HARRIS, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE THE \$20,000.00 BID FROM POWER SYSTEM ENGINEERING TO CONDUCT THE Y2K COMPLIANCE AUDIT.

Gas Negotiations **[[#150]]** Dan reported that an offer was made to Wells Propane and Wells Rural has not heard back from them regarding the offer. Wells Propane is now interested in a Stock Purchase rather than an Asset Purchase, due to tax purposes.

Dan suggested asking Dave Hedberg of CFC and Bill Bowen of Energy Co-opportunity to make a presentation at the May board meeting.

1998 2<sup>nd</sup> Half and 1999 Projected Budget **[[#150]]** IT WAS ON MOTION BY GERALD ANDERSON, SECOND BY PAUL NEFF AND PASSED UNANIMOUSLY TO APPROVE THE 1998 2<sup>ND</sup> HALF AND 1999-PROJECTED BUDGET AS PRESENTED.

Board Retreat **[[#150]]** Dan proposed to the board flying to Burbank, CA to view the micro-turbine, than flying to Redmond, OR to view the fuel-cell and have a presentation on both. The board discussed several options and agreed on meeting in Redmond to view the fuel-cell and Dan and Don Angell will give a power point presentation on the micro-turbine. The board will remain an extra day in Bend for a board retreat. Dates for the retreat have tentatively been set for May 10 and 11, with alternate dates of May 14, 15 or 16.

Scholarship Committee **[[#150]]** The board chose May 18 and/or 19 for scholarship interviews.

Policy 7-13 Disposition of Obsolete or Surplus Company Property **[[#150]]** Dan presented Policy 7-13 to the board for their review. Discussion followed. IT WAS ON MOTION BY

JERRY PARKIN, SECONDED BY S. J. SMITH AND PASSED UNANIMOUSLY TO APPROVE POLICY 7-13 DISPOSITION OF OBSOLETE OR SURPLUS COMPANY PROPERTY AS PRESENTED. (ATTACHED TO MINUTES)

A lunch recess was called at 12:00 noon. The meeting was called back to order at 1:10 pm.

RUS Debt Buyout **[[#150]]** The next matter to come before the meeting related to further prepayment in reduction of the loan from the United States of America (herein the "USA"), acting through the Administration of the Rural Utilities Services (herein "RUS"), successor to the Administrator of the Rural Electrification Administration, which prepayment is to be made pursuant to the Prepayment Agreement dated as of July 23, 1998, between the USA and the Corporation. After discussion of the matter and due consideration, IT WAS ON MOTION BY ROBERT HARRIS, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION:

RESOLVED, that the corporation make a prepayment to the USA in payment of or reduction of the balance of certain notes payable as described and amounting to the following:

NOTE NOTE DATE ORIGINAL PRINCIPAL CURRENT BALANCE

B 04-06-62 \$1,108,000.00 \$54,274.82

D-4 05-27-75 \$725,000.00 \$314,663.34

H-4 12-13-85 \$1,981,000.00 \$1,383,839.52

K-6 12-13-85 \$1,332,000.00 \$563,304.73

L-6 03-25-94 \$1,532,000.00 \$1,491,371.08

\$6,678,000.00 \$3,807,453.49

BE IT FURTHER RESOLVED, that the total payment of the aforesaid shall be the amount of the Discounted Present Value of the current balances, as defined in the Prepayment Agreement.

BE IT FURTHER RESOLVED, that the foregoing transactions are hereby authorized and approved, and the officers of the Corporation are authorized to execute all documents and take all necessary and appropriate steps to consummate the transactions.

Next \$ Foundation **[[#150]]** Vernon reported receiving a letter from Audrey Spratling regarding filling the vacant Wells board seats with Sally Hylton and Jerry Smith of Wells. The board discussed nominating staff member Jim Su **[[#146]]** euga for the At Large board seat. IT WAS ON MOTION BY MARY WRIGHT, SECONDED BY PAUL NEFF AND PASSED UNANIMOUSLY TO APPROVE APPOINTING SALLY HYLTON AND JERRY SMITH OF WELLS FOR THE BOARD SEATS IN WELLS AND JIM SU **[[#146]]** EUGA AS THE AT LARGE BOARD SEAT.

Following further discussion, it was brought to the boards **[[#146]]** attention that Elaine Swanson of Wells was already appointed to one of the vacant Wells board seats. IT WAS ON MOTION BY DARYL ERIKSEN, SECONDED BY ROBERT HARRIS AND PASSED UNANIMOUSLY TO RESCIND THE PREVIOUS MOTION.

IT WAS ON MOTION BY DARYL ERIKSEN, SECONDED BY ROBERT HARRIS AND PASSED UNANIMOUSLY TO APPOINT SALLY HYLTON AS THE WELLS BOARD SEAT AND JIM SU[[#146]]EUGA AS THE AT LARGE BOARD SEAT.

IT WAS ON MOTION BY S. J. SMITH, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE RE-APPOINTMENT OF THE FOLLOWING BOARD SEATS WHOSE TERM HAS EXPIRED: MELISSA GREGORY, SEAT FIVE OF WENDOVER, NV; AND MARIE JOHNSTON, SEAT SEVEN OF WENDOVER, UT.

The Next \$ Foundation submitted a request for mileage reimbursement for meetings. IT WAS ON MOTION BY JERRY PARKIN, SECONDED BY PAUL NEFF AND PASSED UNANIMOUSLY TO APPROVE THE REIMBURSEMENT OF MILEAGE AT THE MAXIMUM IRS ALLOWABLE RATE FOR THE NEXT \$ FOUNDATION[[#146]]S BOARD MEMBERS TO AND FROM MEETINGS.

#### SAFETY MINUTES:

IT WAS ON MOTION BY VERNON SCOTT, SECONDED BY JERRY PARKIN AND PASSED UNANIMOUSLY TO APPROVE THE SAFETY MINUTES AS WRITTEN.

#### NEW MEMBERSHIPS:

IT WAS ON MOTION BY VERNON SCOTT, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE 49 NEW MEMBERSHIPS AS REVIEWED: WELLS [[#150]]1; CARLIN [[#150]] 12; WENDOVER, NV [[#150]] 24; AND WENDOVER, UT [[#150]] 12.

#### INFORMATION ITEMS:

##### Studies Update:

Strategic Plan [[#150]] Dan reported the quarterly update will be reported on at the May board meeting.

Integrated Resource [[#150]] This information was mailed with the agenda.

Outage Report [[#150]] This information was mailed with the agenda.

Engineering Report [[#150]] This information was mailed with the agenda.

##### CEO[[#146]]s Report:

NRECA Legislative Conference [[#150]] Dan reminded the board of the NRECA Legislative Conference in Washington DC May 3 [[#150]] 5.

International Program [[#150]] Dan reported a donation of \$1,000.00 was made to the NRECA International Foundation in lieu of supplies or equipment.

Benchmarking [[#150]] Dan reported the Operations Team completed in the top 7 out of 11 possible categories in the Benchmarking Program. The Operations and Engineering Team gave a presentation in New Orleans, which went very well and will be presented to the board in May.

NREA Meeting **[[#150]]** Dan reported he and Vernon met with the NREA board in Carson City and discussed AB438-De-regulation.

Power Supply:

Don Angell gave a report on the following: BPA Subscription/Rate Case, Wendover Power Factor, Transmission/FERC Issues, Nevada Restructuring, Distributed Generation and Newmont Issues.

Quantum Resources, Inc.:

An Executive session was called.

OTHER BUSINESS:

As there was no further business to come before the board, the meeting was adjourned at 3:10 pm.

The meeting was called back to order at 3:25 pm.

IT WAS ON MOTION BY DARYL ERIKSEN, SECONDED BY ROBERT HARRIS AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION:

WHEREAS, the Board of Directors of Wells Rural Electric Company (herein called the "Cooperative"), make application for and authorize borrowing from the National Cooperative Services Corporation (NCSC) in the amount of \$1,200,000.00 to finance the project for a term of ten (10) years, and at such interest rate or rates as shall be prescribed in the note or notes executed on behalf of the Applicant and delivered to NCSC, the proceeds of such loan to be used for start-up of Quantum Resources, Inc.

BE IT RESOLVED, that repayment of the loan shall be based on periodic installments, including interest and principal payments, which are equal in amount to every other such periodic installment (level payment method).

The meeting was adjourned at 3:28 pm.

D. Vernon Dalton, President Mary A. Wright, Secretary/Treas.

**MINUTES OF THE REGULAR BOARD MEETING OF THE BOARD OF DIRECTORS OF  
QUANTUM RESOURCES, INC.**

**April 16, 1999**

The regular meeting of the Board of Directors of Quantum Resources, Inc. was held in Wells, Nevada in the Boardroom of the Wells office and called to order Friday, April 16, 1999 at 2:00 pm. The meeting was presided over by President D. Vernon Dalton.

Directors present were: Gerald Anderson, D. Vernon Dalton, Daryl Eriksen, Robert Harris, Orlin Kidner, Lois Nannini, Paul Neff, Jerry Parkin, Vernon Scott, S. J. Smith and Mary Wright.

Staff members present were Daniel L. Kessler, Jr., Chief Executive Officer and Clay Fitch, Chief Operations Officer. Also present was Amanda Bourne, Executive Secretary.

ACTION ITEMS:

The minutes of the regular meeting of March 19, 1999 were approved as written.

ADDITIONS TO AGENDA:

NCSC Financing **[[#150]]** Following a discussion, IT WAS ON MOTION BY ROBERT HARRIS, SECONDED BY ORLIN KIDNER AND PASSED UNANIMOUSLY TO APPROVE THE FOLLOWING RESOLUTION:

RESOLVED, that Quantum Resources, Inc. (hereinafter referred to as Guarantor), agree that the Guarantor guarantee \$1,200,000.00 of a long-term loan or advances obtained by Wells Rural Electric Company (hereinafter referred to as Applicant), from the National Cooperative Services Corporation (NCSC) in the amount of \$1,200,000.00 for a term of ten (10) years, and at such interest rate or rates as shall be prescribed in the note or notes executed by an on behalf of the Applicant and delivered to NCSC, the proceeds of such loan to be used for start-up of Quantum Resources, Inc.

BE IT FURTHER RESOLVED, that the Chief Executive Officer of the Guarantor be and is hereby authorized to execute, on or behalf of the Guarantor, a Guaranty; within the aggregate amount or percentage authorized by the foregoing resolution and to supply such further documents as needed to comply with NCSC requirements.

The meeting recessed at 3:25 pm and was called back to order at 3:28 pm.

EXECUTIVE SESSION:

No executive session was held.

FINANCIAL REPORT:

Dan gave an update for the Electrical Division and Security Division.

OTHER BUSINESS:

As there was no further business to come before the board, the meeting was adjourned at 3:30 pm.

D. Vernon Dalton, President Mary A. Wright, Secretary/Treas.

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