

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

February 20, 1978

The special board meeting of the Board of Directors of Wells Rural Electric Company was called to order on February 20, 1978 at 1:00 p.m. in the Board Room. President Vernon Dalton presided over the meeting.

Directors present were: Daryl Eriksen, Gene Pengelly, Jesse Larsen, Ester Quilici, Ferris Brough, Tom Achurra, Jim Ballard, Vernon Dalton, Clarence Swett and Ray Crawford. Glenn Wadsworth was unable to attend. Present from the staff were Mike Fox and Patti Blackett.

Corrections to the minutes: On page 4, under Regional Power Planning, 5th line down, BPA alleges should read City of Portland alleges. On page 2 under Employee Relations Committee, on the increase proposed for July, 1978, it should be 30¢ instead of 10¢.

Additions to the Agenda: Directors/Employee Expense Committee, Annual Meeting Committee and Devil's Gate Line.

Mike stated that Bob Vaughan suggested the motion made in the last meeting about Directors attending 75% of the board meetings should be a by-law change. It takes a 2/3 vote to change the by-laws. Any absence of a board member should be approved by the Board either before the Director is to be absent or shortly thereafter. Ferris stated that in Policy No. 1-3, 8a, the reason for not attending regularly scheduled board meetings should be submitted to the President of the board, was not passed at the last meeting and Ferris would like to have it put in the policy. Vernon didn't think the decision should be made by one member of the board. Ferris would like it to be approved by the Board of Directors. GENE PENGELLY MOVED TO AMEND THE BY-LAWS TO READ: TO BE ELIGIBLE FOR RE-ELECTION TO THE BOARD, THE BOARD MEMBER MUST HAVE ATTENDED 75% OF THE REGULARLY SCHEDULED BOARD MEETINGS UNLESS ABSENCE WAS DUE TO SICKNESS OR AN EMERGENCY. THE REASON FOR NOT ATTENDING REGULARLY SCHEDULED BOARD MEETINGS SHOULD BE SUBMITTED TO THE PRESIDENT OF THE BOARD AND APPROVED BY THE BOARD OF DIRECTORS. FERRIS BROUGH SECONDED THE MOTION.

GENE PENGELLY MOVED TO AMEND HIS MOTION TO AMEND THE BY-LAWS, ARTICLE 3, SECTION 2 UNDER QUALIFICATIONS, C. TO BE ELIGIBLE FOR RE-ELECTION TO THE BOARD, THE BOARD MEMBER MUST HAVE ATTENDED 75% OF THE REGULARLY SCHEDULED BOARD MEETINGS UNLESS ABSENCE WAS DUE TO SICKNESS OR AN EMERGENCY. THE REASON FOR NOT ATTENDING REGULARLY SCHEDULED BOARD MEETINGS SHOULD BE SUBMITTED TO THE PRESIDENT OF THE BOARD AND APPROVED BY THE BOARD OF DIRECTORS. FERRIS BROUGH SECONDED THE MOTION AND THE MOTION FAILED WITH A VOTE OF 6 IN FAVOR, 2 OPPOSED AND 1 ABSTAINING.

Auditor's Report: Warren Jaynes and Jay Smith from Ernst & Ernst were present at the meeting to present the Audit Report. Preliminary reports were passed out to all Directors and discussed. Warren expressed his appreciation to the office personnel for all of their help. JIM BALLARD MOVED WE ACCEPT THE PRELIMINARY AUDIT REPORT WITH THE CHANGES INDICATED. GENE PENGELLY SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

N.R.E.C.A. Retirement Plan: Gene Pengelly talked to Paul Kramer in Las Vegas. He is going to come here after all the changes have been made in the new medical plan.

Contact O'Neil Line: Much discussion was held on how we could three phase this line with the Company paying part of the cost.

Pine Valley/Carlin: Richard made a trip to the Pine Valley area and talked to some of the people there and tried to determine how they want to establish the number of units that are going to be involved in this. There are 21 units. There is a total of 83 miles of line and a total of \$642,700. Using the 21 unit figure, this comes up to a charge of \$256.20 per unit.

Those who did not respond were not included. DARYL ERIKSEN MOVED THAT WE SEND OUT A CERTIFIED LETTER TO THE PEOPLE OF PINE VALLEY AND TELL THEM THAT THERE ARE 21 UNITS AND THE AMORTIZATION CHARGE IS \$256.20 PER UNIT. WE WILL GIVE THEM 2 WEEKS TO RESPOND. WE HAVE TO HAVE 100% PARTICIPATION. CLARENCE SWETT SECONDED THE MOTION. The letters should be directly returned to this office. THE MOTION CARRIED UNANIMOUSLY. The letter should list all of the people and the number of units.

Bids for Transformers: We received bids from Westinghouse, General Electric and McGraw Edison. For the voltage regulators, Westinghouse bid \$4,568, 8 to 10 week delivery, G.E. bid \$4,429, in stock delivery and McGraw Edison bid \$4,835, in stock delivery. On the regulator by-pass switches, Westinghouse bid \$352, 3 to 5 week delivery, G.E. bid \$395, 10 week delivery and McGraw Edison bid \$344, 3 to 5 week delivery. On the 500 KVA single voltage transformers, Westinghouse bid \$3,365, G.E. bid \$3,596, 22 week delivery and McGraw Edison bid \$3,589. 19 week delivery. On the 750 KVA transformer with additional capacity, Westinghouse did not bid, G.E. bid \$12,719, 20 week delivery and McGraw Edison bid \$6,473, 16 week delivery. If we bought these from McGraw Edison, it would cost a total of \$41,429 for 4 large transformers, 3 regulators and the switch equipment. JIM BALLARD MOVED WE ORDER THIS. TOM ACHURRA SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. The money to pay for this will come out of General Funds. We need a board resolution to use these General Funds. JIM BALLARD MOVED WE USE THE GENERAL FUNDS. GENE PENGELLY SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

N.R.U.C.F.C.: Gene Pengelly attended the Annual Meeting as the voting delegate. The man from Montana was elected for District IX.

N.R.E.C.A. Activities: REA is becoming less important to the Office of Management and Budget. The first study on REA says the REA Program is costing the taxpayers too much money. From the day REA was formed, it has cost the taxpayers 2/10 of 1%. The Directors that attended the Annual Meeting in Las Vegas made comments on the sessions they attended. There was a total of 12,000 people in attendance at the Annual Meeting this year. Some of the Directors attended a N.W.P.P.A. meeting where the new Administrators were introduced.

Appliance and Safety Report: We held a safety meeting that dealt with public relations as well as safety. There was a lecture and a slide presentation about car accidents in which power lines were broken and how the safety aspect should be handled as far as the fire department, ambulance or other emergency personnel. Gene Pengelly has some literature coming on safety that he will give to Jess Urresti as soon as it comes in.

Directors/Employee Expense Committee: Report by Jesse Larsen. Topics discussed were: Payment to Vernon for being Interim Manager, revised guidelines and ways to save money. Vernon worked 68.5 hours while we were without a Manager. Total cost approximately \$844.00. They recommend to the board that this be paid. They revised their guidelines as to what they want the office to give this committee. They want an expense sheet monthly concerning costs of the board for all board meetings, committee meetings and trips. They discussed ways to save money - Directors on trips. JESSE LARSEN MOVED THAT THIS BOARD OF DIRECTORS LIMIT THE NUMBER OF DIRECTORS TO TWO, NOT INCLUDING OUR NATIONAL REPRESENTATIVE, TO BE DONE ON A ROTATING BASIS. THIS REFERS SPECIFICALLY TO REGION IX AND NATIONAL MEETINGS. ALL OTHER MEETINGS WILL BE SUBJECT TO THE APPROVAL OF THE BOARD PRIOR TO SUCH MEETINGS. ESTER QUILICI SECONDED THE MOTION. The committee also discussed that any other director can go to the meetings. They would receive their per diem, room and transportation but they would forego the \$80 a day board pay. In Policy 1-3, it states that Directors will attend Region IX meetings and the N.R.E.C.A. Annual Meeting. JIM BALLARD MOVED TO AMEND THE MOTION THAT WE LIMIT THE NUMBER OF DIRECTORS TO ATTEND THE NATIONAL N.R.E.C.A. ANNUAL MEETING TO THREE DIRECTORS AND IN THE EVENT WE HAVE AN N.R.E.C.A. DIRECTOR ON THE BOARD, THAT HE GOES, NOT INCLUDED IN THE THREE, THAT WE LIMIT THE DIRECTORS ATTENDING THE REGION IX MEETING TO 1/2 OF THE ELECTED DIRECTORS AND IF IT IS HELD IN ALASKA, THAT WE LIMIT IT TO THREE. GENE PENGELLY SECONDED THE AMENDMENT AND IT CARRIED BY A VOTE OF 8 IN FAVOR AND 1 OPPOSED. (ANY OF THOSE WHO HAVE BEEN TO ALASKA PREVIOUSLY WOULD NOT BE INCLUDED IN THE THREE. ANY OTHER DIRECTORS CAN ATTEND THESE MEETINGS, EXCEPT THE REGION IX MEETING IN ALASKA, AND THEY WOULD RECEIVE PER DIEM, ROOM AND TRANSPORTATION BUT FOREGO THE \$80 A DAY BOARD PAY. THIS WOULD BE INCLUDED IN THE MOTION.) THE MOTION CARRIED UNANIMOUSLY.

Annual Meeting Committee: Bob Vaughan said that our Articles specify that our Directors be elected at the Annual Meeting. This is going to take a vote of the membership to change. JIM BALLARD MOVED THAT WE AMEND THE ARTICLES OF INCORPORATION TO READ THAT WE ELECT THE DIRECTORS BY MAIL BALLOT THAT THEY BE NOMINATED AND VOTED ON BY MAIL. GENE PENGELLY SECONDED THE MOTION. Jim Ballard withdrew his motion and Gene Pengelly withdrew his second until we do more research on this.

Construction Report: The 30 line to the Hydro Plant and a 10 tap to a stock pump for Bell Brand Ranches were completed. The crew received additional hotline work experience by replacing some aging structures and removing capacitors not in service in Wells.

Regional Power Planning. Nothing new.

Hydro Plant: Nothing new.

Settlement with Idaho Power: Nothing new.

Engineering Report: Surveying of the proposed Carlin line was completed and the BLM application preparation is underway. Mr. Anderson of the Fort Ruby Ranch has requested an estimate for a line extension to his properties 7 miles south of Shantytown. The area is out of our service area. JIM BALLARD MOVED WE GIVE HIM THE COST ESTIMATE FOR SINGLE PHASE AND/OR THREE PHASE. GENE PENGELLY SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Employee and Directors Institutes and Schools: At the N.R.E.A. meeting, Vernon brought up trying to have a 500.2 school in the Western Region. There seems to be a substantial amount of interest. They have also talked about getting with the Utah Rural Electric Association and perhaps the two groups could host a school and maybe even the Idaho people. They are going to look into this to see if they can work something out.

Service Report: There will no longer be an electrical contracting service. We will continue with the appliance repair service. We are going to sell unit #13. We have quite a stock of wiring supplies that we will not be using anymore. Jesse Sharp is interested in this.

Power Source: Nothing new.

Cost of Service Study: We should get a plan going as soon as possible and get prices as to how much it will cost. Mike will take care of this.

Devil's Gate Line: Tom was wondering if Mike has heard anything else from Mr. Arregui since he received his cost estimate. Mike has not. Tom thanked Mike for getting the information to Frank Urregui so quick.

GENE PENGELLY MOVED THAT VERNON DALTON BE THE REGISTERED AGENT FOR THE STATE OF UTAH. JIM BALLARD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

GENE PENGELLY MOVED TO HAVE THE NAMES OF VERNON DALTON, JIM BALLARD, CLARENCE SWETT AND MIKE FOX ON THE BANK CARD AT THE COMMERCIAL SECURITY BANK IN WENDOVER, UTAH. JESSE LARSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

JIM BALLARD MOVED THAT THE 11 MEMBERSHIPS FROM WELLS AND THE 25 FROM WENDOVER BE APPROVED. RAY CRAWFORD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Manager's Report: The union agreement has not been signed. The employees had a meeting but they have not voted on it as written. The employees have three or four items that they want to negotiate further. They are asking for the super medical plan. In our sick leave policy, we have a clause that allows management to request a doctor's statement for the employee to determine if he is abusing his sick leave. They feel that this should be included in the contract and the company should agree to pay for this doctor's statement. They would like to have our policy on jury duty and funeral leave written into the union contract. The cost of living clause that ties the pay increase to the consumer price index is set for 6.2%. As of June of

this year, there will no longer be a consumer price index. The Government is going to go back and refigure all of this. Lyle Johnson would like to set up a meeting prior to the time the employees meet.

The key interlock system on the gas tank does not work. It will cost \$700 to be repaired. We will go ahead and install the pump and use a manual recording system and put the gas in the vehicles.

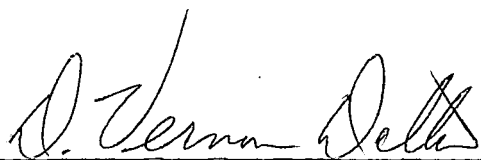
We have established an account at the Wendover bank. This eliminates the transfer of money from Wendover to Wells.

The 1976 margins were not assigned. The Auditors suggested that we combine the 1976 and 1977 margins and allocate the total to the 1977 patrons.

We have had quite a few communication problems in Wendover. We are in dire need of a base station in the Wendover office. Shirley has no way to get in touch with Al and Mark. Mike received a bid from Motorola for \$2,757 plus installation.

Jiggs - Lee outage: This was a communications problem between W.R.E.C. and Nevada Power. The outage occurred at 11:10 a.m. We received a call from the Division of Forestry to report the outage. Mike called Nevada Power and talked to the receptionist. She said part of their system was out also and the problem was theirs and they had crews in the area working on it. We waited an hour and didn't hear anything. We made some calls to some of the people in that area but couldn't reach anyone. We waited until later on in the afternoon. John Mohlman called and said the crews were still looking, and they couldn't find the problem. They were going to patrol the line all the way to our metering point. We waited longer and still didn't hear anything. About 2:30 p.m., Mike decided to get a crew out. When the crew got down there, John Mohlman called and said that all three of their phases were de-energized. He wanted permission to open our three reclosures so that they could go ahead and energize back on their side of it. They said the problem was on our side. He indicated it was already dead. They opened our three reclosures. When Gary got there, he started checking with some of the consumers. All of those on 2 phases had been energized up until early afternoon. They went out later in the afternoon. This is when Nevada Power opened their three reclosures and dropped our total line. Gary found the problem about 5:00 or 6:00 that night. It had to do with part of the Eagle protection. One of the cones that goes over the bushing had started tracking. It was on a stockwater pump that was not metered. It was not energized but the transformer was connected. It was between Jiggs and a reclosure on the single phase line going south out of there, in that area. Something failed. It went through our reclosures and didn't open them. This fault went all the way back into Elko's system and opened the reclosure at their substation. This fault should have isolated itself on a single phase on the reclosure there by our regulators. It should never have gone into Elko's system. Tom commended the crew on the job they did on this outage.

The meeting adjourned at 8:15 p.m.

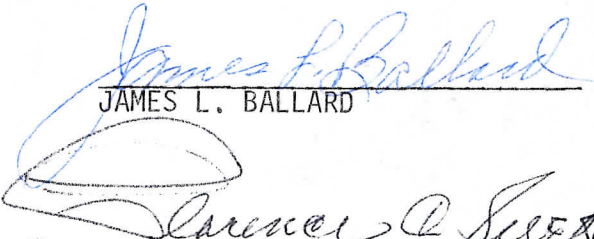

D. VERNON DALTON, PRESIDENT

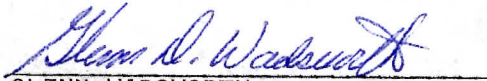

CLARENCE C. SWETT, SECRETARY

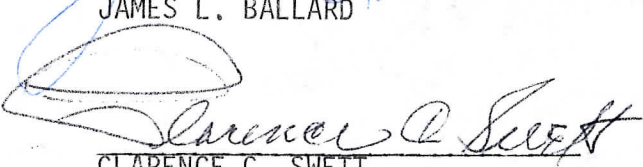
WAIVER OF NOTICE
OF
SPECIAL BOARD MEETING
OF
WELLS RURAL ELECTRIC COMPANY

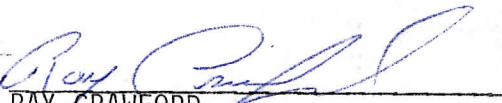
We, the directors of WELLS RURAL ELECTRIC COMPANY, (hereinafter called the "Cooperative"), waive all notice of the time, place, and purpose of a special board meeting of the Board of Directors to be held at the Wells Rural Electric Company Offices in the City of Wells, State of Nevada, the 20th day of February, 1978 at 1:00 p.m.

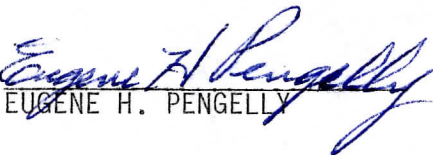
IN WITNESS WHEREOF, we have hereunto set our hands this 20th day of February, 1978.

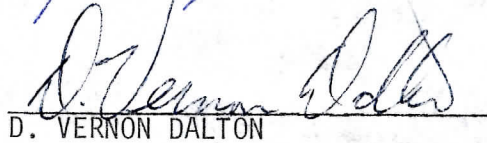

JAMES L. BALLARD


GLENN WADSWORTH

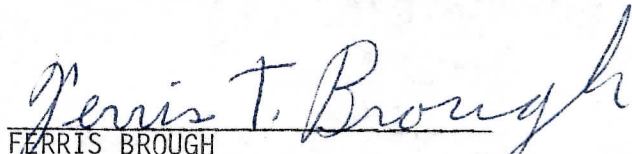

CLARENCE C. SWETT

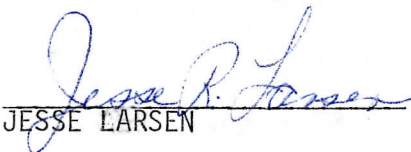

RAY CRAWFORD


EUGENE H. PENGELLY

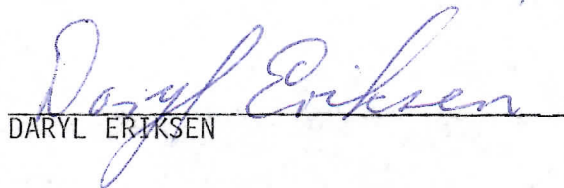

D. VERNON DALTON


THOMAS ACHURRA


FERRIS BROUGH


JESSE LARSEN


ESTER QUILICI


DARYL ERIKSEN

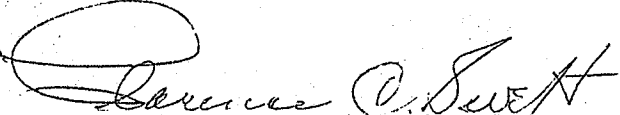
Being all of the directors of WELLS RURAL ELECTRIC COMPANY without exception.

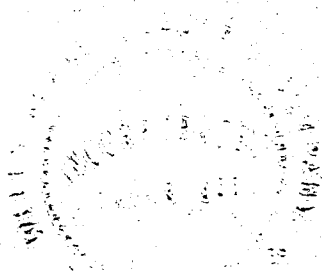
RESOLUTION
OF THE BOARD OF DIRECTORS
OF
WELLS RURAL ELECTRIC COMPANY

Board Resolution - Change of Registered Agent

NOW, THEREFORE, BE IT RESOLVED, That the Board of Directors does appoint D. Vernon Dalton to be the Registered Agent for the State of Utah.

I, Clarence C. Swett, Secretary of Wells Rural Electric Company, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Wells Rural Electric Company, held on the 20th day of February, 1978, at which meeting a quorum was present.


CLARENCE C. SWETT, SECRETARY

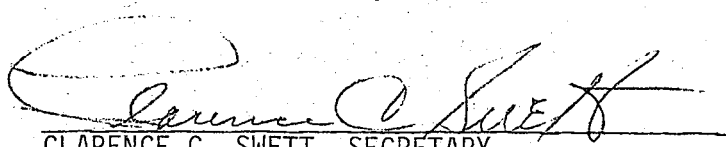


RESOLUTION
OF THE BOARD OF DIRECTORS
OF
WELLS RURAL ELECTRIC COMPANY

Board Resolution - Names on Bank Card

NOW THEREFORE, BE IT RESOLVED, That this organization establish in its name one or more deposit accounts with COMMERCIAL SECURITY BANK, Wendover, Utah, upon such terms and conditions as may be agreed upon with said bank and that the organization be and they are hereby authorized to establish such an account. D. Vernon Dalton, President, James L. Ballard, Vice-President, Clarence C. Swett, Secretary and Michael G. Fox, General Manager of this organization be, and they are hereby authorized to withdraw funds of this organization from the said account upon checks of this organization, signed as provided herein with signatures duly certified to said bank by the Secretary of this organization and said bank is hereby authorized to honor and pay any and all checks so signed, including those drawn to the individual order of any officer or other person authorized to sign the same.

I, Clarence C. Swett, Secretary of Wells Rural Electric Company, do hereby certify that the foregoing is a full, true and correct copy of the resolution adopted by the Board of the Wells Rural Electric Company at a meeting of said Board, regularly held on the 20th day of February, 1978, at which meeting a quorum was present.


CLARENCE C. SWETT, SECRETARY

MEMBERSHIPS TO BE APPROVED

February 20, 1978

WENDOVER

1. Samuel C. Allen
2. Darrel D. Brown
3. Lynn Checketts
4. Robert L. Davis
5. Gerry L. Duval
6. Ron Edwards
7. Gerald E. Fuller
8. Mike Huppi
9. Donald R. McEntire
10. Richard Johnson
11. Becky J. Orr
12. Guadalupe M. Palafox
13. Pritchett Construction Company (Dee Pritchett)
14. Charles E. Renfro
15. Philip Richey
16. Valarie Lyn Rivera
17. Michael Thayer
18. Debra C. Thomas
19. Utah Department of Transportation
20. Guilleno Villa
21. Fritz R. Weighall
22. Sharlene Williams
23. Nanci Wirth
24. John E. Wylie
25. John C. Ziegler

WELLS

1. J. C. Ashworth
2. Marilyn Chalfant
3. Hollis DeBoard
4. Michael G. Fox
5. Joseph D. Gregson
4. Harshbarger Construction
5. Robert Healy, Jr.
6. Georgia G. Phillips
7. R. L. C. Investments, Inc.
8. J. Harold Robinson
9. Desi A. Stultz
10. Thomas L. Tidwell
11. Michael Tognoni