

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

July 22, 1977

The regular meeting of the Board of Directors of Wells Rural Electric Company was called to order on July 22, 1977, at 1:00 p.m. President James Ballard presided over the meeting.

Directors present were James Ballard, Vernon Dalton, John Krenka, Bill Gibbs, Bob Wright, Tom Achurra, Art Grock, Clarence Swett, Gene Pengelly, Ray Crawford, and Glenn Wadsworth. Pat Nolz, John Mohlman, and Bobbi Samuels were present from the staff.

Robert Vaughan, Attorney, was also present at the meeting.

Corrections to the minutes: Vernon Hawks should be listed as a regular member of the Nominating Committee instead of an alternate. The minutes were approved as corrected.

Additions to the Agenda: Forest Service, Cathy Igoa, and Jesse Larsen were added by John Mohlman. The line over Steve Wright's pump was added by Jim Ballard.

Hydro Plant: Dan Pence, Nick Zufelt, and Bill Samuels from the U.S. Forest Service were present at the meeting to discuss the hydro plant. A letter is coming from the Regional Office in Ogden from John Riley concerning approval of the hydro plant as far as certain conditions are met by WREC. Some of these conditions are (1) the dam must be brushed off, (2) work on the collection box, (3) no supporting structures around the joints, the structures should be between the joints, (4) cross braces on support columns. There are also other conditions that must be met that will be included in the letter. We will have to spend the Bi-Centennial money by July 31, 1977. We cannot get another extension of time to spend the money. John wished to thank the Forest Service for the work they did on the hydro.

Contact-O'Neil Line: Bob Arnold, Berl Mays, Marla Boies, Wayne Phillips, Dennis Dewell of Chromalloy Mining, and Horace Smith were present to alert the board to their future needs for power on this line. They have been told that this line is loaded and they would like the board to take under consideration three-phasing this line. A report was also read concerning the needs of James Reddy at the Contact Inn and Mineral Hot Springs. The board decided to have Clarence Lee do a load study on this line with this new information included.

Cathy Igoa asked the board to reconsider the decision to fire Bud Calton. Mrs. Igoa also wanted to know why a consultant was hired to work on the hydro plant instead of having employees of the company do the work. John Mohlman stated that he didn't feel the employees of the company had time to do this work along with their other full time duties and that was why a consultant was hired. Mrs. Igoa also asked the board if it was possible to extend the time between when the ballots are mailed and when they have to be in to Bob Vaughan's office. After discussion on this matter GENE PENGELLY MOVED THAT ARTICLE III, SECTION 10, SUB-PARAGRAPH 8 OF THE BY-LAWS BE AMENDED TO READ THE SECOND FRIDAY OF SEPTEMBER. VERNON DALTON SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. This will give the consumers an extra week to mail the ballots in for the election of Directors. There was a question as to the company's feeling concerning fire and ambulance employees taking calls during working hours. The employee is paid the difference between what he makes on these calls and his regular salary.

Jesse Larsen had a question concerning a sell-out clause that was mentioned in the paper. Bob Vaughan brought the final draft of this proposal to be discussed later in the meeting. Mr. Larsen also wanted to know if the board was going ahead with reducing the number of directors on the board. A final draft of this proposal will be presented to the board at the August meeting. Both the Sell-Out Clause and reducing the number on the board will have to be approved by the members at the Annual Meeting. Mr. Larsen also wanted to know if we had heard anything about the rate increase from the Utah Public Service Commission.

Stock Water and Seasonal Schedules: BOB WRIGHT MOVED THAT WE PUT THE STOCK WATER AND SEASONAL SCHEDULES ON THE L5000 BILLING MACHINE. THE SEASON FOR THE STOCK WATER PUMPS WILL BE FROM MAY 1 TO NOVEMBER 1. GENE PENGELLY SECONDED THE MOTION AND THE MOTION CARRIED UNANIMOUSLY.

Travel Insurance: It would cost us \$55.00 per year to add the employees onto this insurance. The directors and manager now cost \$115 per year. This insurance would cover all employees anytime they travel on company business outside the service area. The employees are covered by the 24-hour accident insurance inside the service area. VERNON DALTON MOVED THAT WE INCLUDE THE EMPLOYEES ON THE TRAVEL INSURANCE. CLARENCE SWETT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Commercial Paper: Commercial Paper from CFC can be purchased if you do not have an outstanding balance on a loan. You may use this money for a minimum of 3 days and a maximum of 270. We will check on any legal problems this might cause. VERNON DALTON MOVED THAT WE INVEST IN COMMERCIAL PAPER FROM CFC. THE MOTION WAS SECONDED BY GENE PENGELLY AND CARRIED.

Nominating Committee: The committee consists of Harry Stevens-Chairman, Simone Zaga, Lloyd Brown and Vernon Hawks. Pat Nolz is checking with NRECA to see if all the directors are eligible for re-election by having attended at least one school during this term. Art Grock stated he would not be running for re-election.

PSC Rule #24: Vernon Dalton reported that the PSC through Rule #24 is asking commercial users to not turn on any outside advertising signs during the daytime. He didn't see any problems in putting this rule into effect. VERNON DALTON MOVED THAT WE PUT PSC RULE #24 INTO EFFECT. THIS IS A COMPANY RULE IDENTICAL IN FORM TO PSC RULE #24. GENE PENGELLY SECONDED THE MOTION AND IT CARRIED. ART GROCK OPPOSED THE MOTION. The board feels that the PSC is stressing conservation rather than penalties in this rule.

Weatherization program: An article will be in Ruralite this month explaining the weatherization program. CFC is designing a plan for families whose adjusted gross income is above \$15,600.

Beeper System: John Mohlman has not talked to the salesman yet.

Steve Wright's Line: Steve has notified us that a hazard exists with this line over the pump. He feels he has fulfilled his obligation by notifying us of the problem, and therefore, doesn't feel he has any obligation to pay for the costs of relocating the line. We will have to find out whether the pump or the line was there first. To move the overhead line would involve moving some underground line also. Richard Loveland will look over the line and figure a cost estimate to move the line.

Bucket Truck Lease: The lease on the bucket truck expires on August 1. We can either let the lease expire, re-new the same lease agreement, lease with the option to buy in a year, or buy the truck outright for \$38,000. A new bucket truck like this would cost \$62,000. GENE PENGELLY MOVED THAT WE PURCHASE THE TRUCK WHEN THE LEASE EXPIRES ON AUGUST 1 FOR \$38,000 WITH FINANCING THROUGH FIRST NATIONAL BANK. CLARENCE SWETT SECONDED THE MOTION AND THE MOTION CARRIED UNANIMOUSLY. A final decision has not been reached concerning the small bucket truck in Wendover. The lease on this truck will expire in October.

Pine Valley/Carlin: The draft of the Carlin contract and bid proposal was discussed by the board. A few changes were made. Bob Vaughan will send us finalized copies as soon as they are typed. The bids will be opened at 7:00 p.m. on August 10. GENE PENGELLY MOVED THAT CARLIN HAVE NEVADA SYSTEM WIDE RATES SUBJECT TO REGULATORY BODIES PLUS A CHARGE FOR WHEELING. CLARENCE SWETT SECONDED THE MOTION. THE MOTION CARRIED UNANIMOUSLY. TOM ACHURRA MOVED THAT WE MAKE THIS BID SUBSTANTIALLY IN THE FORM PRESENTED BY COUNSEL WITH THE CHANGES INDICATED. JOHN KRENKA SECONDED THE MOTION AND THE MOTION CARRIED UNANIMOUSLY. Nevada Power has notified us that they are willing to enter into a wheeling contract with us that would be transferable to California Pacific Utilities. They will charge us \$1100/month or \$1.11/KW of demand, whichever is greater.

Lot-

Reducing the number of Board Members: Bob Vaughan will have a final draft copy for the board members to vote on at the August board meeting. It was discussed whether to put this question on the ballot to see how the members of the co-op felt about reducing the board. The board decided to explain this article change as well as the Sell-Out Clause in the notice of the Annual Meeting and tell the consumers that these two articles will be voted on at the Annual Meeting. A discussion was held concerning the authority of the Board of Directors to sell, mortgage, lease, encumber or otherwise dispose of the assets of the corporation without the approval of the members, and that this authority should be restricted. GENE PENGELLY MOVED THAT WE ADOPT THIS SELL-OUT RESOLUTION. GLENN WADSWORTH SECONDED THE MOTION AND THE MOTION CARRIED UNANIMOUSLY. See Exhibit "A".

Two letters have been sent to the Nevada Public Service Commission from the City of Wells in complaint about the rate increase. The PSC has asked us to answer some questions concerning these letters. John Mohlman read a letter that he has written to the PSC answering the questions in these letters. The PSC has sent us 12 specific questions they wish us to answer. These questions will be answered in affidavit form. GENE PENGELLY MOVED THAT ARTICLE VI OF THE BY-LAWS BE AMENDED BY THE ADDITION OF A SECTION 9 WHICH WILL READ AS STATED IN EXHIBIT "B". RAY CRAWFORD SECONDED THE MOTION AND IT CARRIED BY A VOTE OF 8 IN FAVOR AND 1 OPPOSED. ART GROCK OPPOSED THE MOTION. RAY CRAWFORD MOVED THAT ARTICLE 6, SECTION 7 OF THE BY-LAWS BE AMENDED TO READ AS STATED IN EXHIBIT "C". CLARENCE SWETT SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. CLARENCE SWETT MOVED THAT THE RESPONSES TO THE PUBLIC SERVICE COMMISSION INQUIRIES BE APPROVED AS PRESENTED. GENE PENGELLY SECONDED THE MOTION AND THE MOTION CARRIED UNANIMOUSLY.

The termination of Bud Calton was discussed by the board. It was decided to arrange a hearing before the board for Bud on either July 25 or July 29 at 7:30 p.m.

A conversation resulted in which several policies were discussed. Policies concerning the Manager's right to hire and fire (Policy 1-4B) and the policy which states that individual directors should not get involved in discussing management problems with personnel of the cooperative were pointed out. Gene Pengelly stated that he didn't care what the policies said, he would still continue to talk to employees about the company. It was pointed out that if he did not like the policy, he should endeavor to have it changed and until such time abide by the established policy.

The Rules and Regulation of the company will be reviewed as soon as the rate increase is finalized.

The time of the August board meeting has been changed to 9:00 a.m. on the 19th. Paul Kramer will be at the meeting to discuss the NRECA retirement plan.

Rate Increase: The Utah PSC has informed us that they will authorize only a 1.21 mill increase. Lee Pratt and Clarence Lee feel we should appeal this decision. This increase allows us a 6% rate of return in Utah. The Nevada rate of return is 5.44% with the 6 mill increase. JOHN KRENKA MOVED THAT WE APPEAL THE DECISION OF THE UTAH PUBLIC SERVICE COMMISSION. RAY CRAWFORD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

We are starting to make plans for this year's Hot Line School.

Regional Power Planning: This plan is in political trouble and will probably not pass this year.

Annual Meeting: The consumer committee met and would like to change the date of the Annual Meeting to September 17. VERNON DALTON MOVED THAT THE ANNUAL MEETING BE CHANGED TO SEPTEMBER 17. RAY CRAWFORD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY. Changing the time of the year of the Annual Meeting will be discussed at the meeting this year.

REA Loan: The transfer of \$20,000 on our present loan for use on the hydro has been approved by REA.

The hearing with Idaho Power is scheduled for 10:00 a.m. on July 28.

Jess Urresti will be going to a NRECA Weatherization School in Dallas on August 18-19. John Mohlman will attend the NRECA Manager's Seminar on August 8-11 in Kansas City.

Power Source: Harold Cantrell responded to John's letter to Roy Nischi telling WREC that it should not be concerned about voltage deterioration problems due to the fact that WREC's contract with BPA provides for an upgrade of facilities when needed.

BILL GIBBS MOVED THAT THE NOMINATING COMMITTEE MEMBERS OF HARRY STEVENS - CHAIRMAN, SIMONE ZAGA, LLOYD BROWN, AND VERNON HAWKS BE APPROVED. CLARENCE SWETT SECONDED THE MOTION AND IT CARRIED.

Region IX meeting reservations have to be in by September 9. The meeting will be in Las Vegas this year.

WREC reached a 7 megawatt load in July. This is a new high for the co-op.

WREC's No-Fault insurance has a \$30,000 death benefit for an employee who is killed while driving a company vehicle.

Many irrigation pumps do not have compensating capacitors on them. These pumps were already in existence when the company made the policy that all pumps have capacitors. The board asked John to find out a cost estimate for installing these capacitors before any further discussion will take place.

Delinquent Notices: The board discussed the new extension of time forms and the service charge of \$5.00.

CLARENCE SWETT MOVED THAT THE 22 NEW MEMBERS FROM WELLS AND 20 FROM WENDOVER BE APPROVED. RAY CRAWFORD SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Nevada Rural Electric Association: Dick Campbell is going to present to the Tax Commission a plan to see if co-ops can get the method of tax valuation on property taxes changed to be more in line with other investor owned utilities.

Wind Generation: Vernon Dalton has talked to all of our legislative representatives and they are all in favor of wind generation and will support us in this area.

The meeting was adjourned at 9:40 p.m.

  
CLARENCE C. SWETT, SECRETARY

  
JAMES L. BALLARD, PRESIDENT

A discussion was held concerning the authority of the Board of Directors to sell, mortgage, lease, encumber or otherwise dispose of the assets of the corporation without the approval of the members, and that this authority should be restricted. On motion duly made and seconded, it was:

RESOLVED: That it is advisable to restrict the authority of the Board of Directors to sell, mortgage, lease, encumber or otherwise dispose of a substantial portion of the assets of the corporation.


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

"ARTICLE XII"

Other provisions of these Articles of Incorporation notwithstanding, the corporation may not sell, mortgage, lease or otherwise dispose of or encumber all or any substantial portion of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the board of directors thereof by the affirmative vote of not less than three-fourths of the Directors of the corporation and authorized by a written petition signed by two-thirds of the members of the corporation or at a meeting of the members by the affirmative vote of not less than two-thirds of all of the members of the corporation. Notice of any proposed sale, mortgage, lease or other disposition or encumbrance must have been contained in the notice of the meeting of the members of the corporation.

For the purposes hereof a "substantial portion" shall be defined as a portion of the property and assets constituting twenty-five percent (25%) of the book value of the total property and assets of the corporation.

Notwithstanding anything herein contained, the board of directors of the corporation, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the corporation, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board of directors shall determine to secure any indebtedness of the corporation to the United States of America or any bureau, department, administration, instrumentality or agency thereof, and to the National Rural Electric Utilities Finance Corporation, or its successor.



It is further provided that the board of directors may upon the authorization of a majority of those members of the corporation present at a meeting of the members thereof or by a written petition containing a majority of the signatures of the members of the corporation, sell, lease or otherwise dispose of all or a substantial portion of its property to another corporation doing business in this state pursuant to the act under which this corporation is incorporated.

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 at 8:00 o'clock P.M. on the 17th day of September, 1977, 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.

BE IT FURTHER RESOLVED: That the President and the Secretary of this corporation be, and they hereby are, authorized and directed to make, executed and acknowledge a certificate under the corporate seal of this corporation embracing the foregoing resolutions, and to cause such certificate to be filed and recorded in the manner required by law.

Exhibit "B"

"Section 9. Customers must be members. No person, partnership, firm, association, corporation, body politic or subdivision thereof, or any other entity or customer shall be served by the company unless said person or entity has applied for membership in the company."

Exhibit "C"

"Section 7. Termination of Membership. (a) The membership of a member who has ceased, for a period of thirty (30) days, to purchase energy from the corporation shall be automatically cancelled and terminated without further action by the corporation unless service to said member is pursuant to a continuing contractual agreement. A member whose membership has ceased pursuant hereto, shall automatically be reinstated as a member at such time as said person again commences taking service from the Corporation. (b) Upon the death of a member without leaving a surviving spouse, or cessation of existence of a member, the membership of such member shall terminate at such time as the Corporation is advised in writing of the death of a member without leaving a surviving spouse or the cessation of the existence of a member, and a new written request for service and application for membership is made by the customer or consumer taking service at the same location or through the same facilities. (c) No membership shall be terminated during the time that said member is receiving service from the corporation. (d) Termination of membership in any manner shall not release a member of his estate of any debts due the corporation."

MEMBERSHIPS TO BE APPROVED

JULY 22, 1977

WELLS

1. Thomas G. Adkins
2. Joe Benoit
3. Katy Bottari
4. Stanley Couchum
5. Andrew P. Cruise
6. Steve Enos
7. Milton F. Grisham
8. Uuil Han
9. Russ Jacobson
10. Max Riggs
11. J. Keith Miller
12. Eileen M. Murdock
13. Liabarda Nunez
14. Colin W. Perry
15. Georgia Phillips
16. John Pohlalabel
17. Ester Quilici
18. Robert U. Schiers
19. Albert E. Schraeder
20. Alan Scott
21. Susan Wornow
22. Art M. Yan

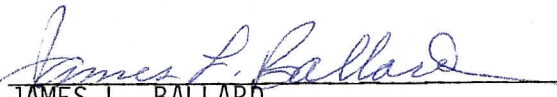
WENDOVER

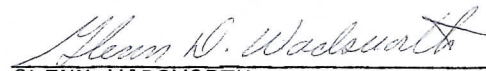
1. Gail Becker
2. Teresa Berry
3. Michael Brannin
4. Wanda Cosentino
5. K. E. Dennison
6. Chris A. Gustafson
7. Colleen Hart
8. Melvin Leland
9. Cody Lewis
10. A. L. McGranahan
11. Mrs. Hal Memmott
12. Annette Morgan
13. Vickie Murphy
14. Antonio Palafox
15. Edward D. Rowen
16. Robert J. Smirle
17. Mrs. Leo J. Trujillo
18. Robert Whittaker
19. H. D. Wilkinson
20. David Winstrom

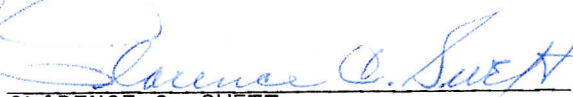
WAIVER OF NOTICE  
OF  
SPECIAL DIRECTORS MEETING  
OF  
WELLS RURAL ELECTRIC COMPANY

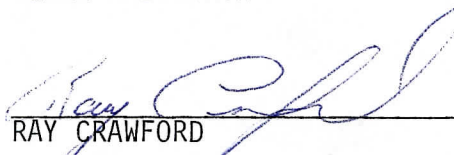
We, the directors of WELLS RURAL ELECTRIC COMPANY, (hereinafter called the "Cooperative"), waive all notice of the time, place, and purpose of a special meeting of the Board of Directors to be held at the Wells Rural Electric Company Offices in the City of Wells, State of Nevada, the 23rd day of June, 1977, at 1:00 o'clock p.m.


IN WITNESS WHEREOF, we have hereunto set our hands this 23rd day of June, 1977.

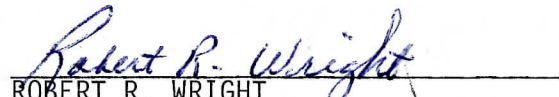
  
JAMES L. BALLARD

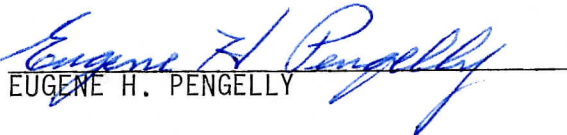
  
GLENN WADSWORTH

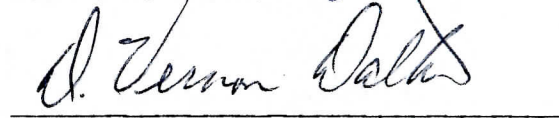
  
CLARENCE C. SWETT

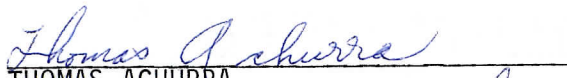
  
RAY CRAWFORD

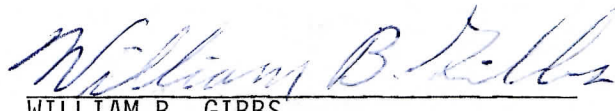
  
JOHN W. KRENKA

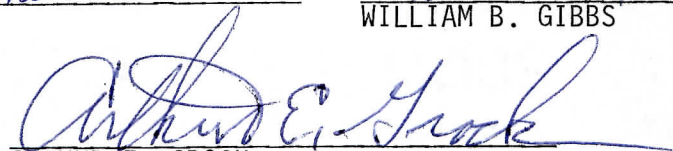
  
ROBERT R. WRIGHT

  
EUGENE H. PENGELLY

  
D. VERNON DALTON

  
THOMAS ACHURRA

  
WILLIAM B. GIBBS

  
ARTHUR E. GROCK

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