

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

May 19, 1978

The regular meeting of the Board of Directors of Wells Rural Electric Company was called to order on May 19, 1978 at 1:00 p.m. in the Board Room. President Vernon Dalton presided over the meeting.

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

Corrections to the minutes: On page 4 under Union Grievance, Jesse Larsen would like to see the Employee Relations Committee represent the whole staff and not cut it in half. He would like the committee to hear union grievances if it was approved by the President of the Board or the Chairman of the Committee. The minutes will stand approved as written.

Additions to the Agenda: Tickets at the Annual Meeting, list of delinquent bills, CFC Resolution for renewing our line of credit and policy interpretations.

N.R.E.C.A. Retirement Plan: The buy back was originally set for 1965 and it was changed to go back to 1960. When the figures for the 1960 buy back were received, there were some changes on some individuals who should not have been affected. This was a clerical error by N.R.E.C.A.

Contact/O'Neil: There has not been any contact with the O'Neil people. Tom has tried to contact Marla Boies but has not had any luck.

Pine Valley: A committee meeting was held on May 19 at 10:30 a.m. The first thing that is going to have to be discussed is the direction we want to take as far as how much assistance we want to put into this project. This will have a direct net effect on the margins at the end of the year. If the Company contributes \$40,000, the amortization cost for the people in Pine Valley, based on the same number of Consumers as before, would be \$206.85. Since working up this set of figures, we have been contacted by Western Union which has a relay station in the area. They have expressed interest in having service supplied to it off the Pine Valley line if and when it goes in. Mike figured Western Union in as an equal to get a total cost, taking into account the seven additional miles required to serve them. This has the effect of changing the \$206.85 to \$223.07. It raises everyones cost. Mike explained to Western Union the effect it had on the rest of the consumers. They indicated that they would be willing to pick up the difference between the \$206.85 and \$223.07. Keeping this in mind and considering the figures, a decision needs to be made regarding basing these calculations on: 1) the 18.7% factor which is a break even point with no return on the total investment and 2) in addition to item 1, making a contribution in an amount necessary to keep the amortization cost down to an amount around \$200.00 TOM ACHURRA MOVED WE GO TO THE PEOPLE WITH THE \$206.85 AMORTIZATION CHARGE TO SEE IF THEY COULD PAY THIS. FERRIS BROUGH SECONDED THE MOTION. Gene Pengelly suggested we make up hand-out sheets with the different calculations to present to the Pine Valley people and discuss them at the next meeting. GLENN WADSWORTH MOVED WE TABLE THE MOTION UNTIL THE NEXT MEETING. GENE PENGELLY SECONDED THE MOTION AND IT CARRIED BY A VOTE OF 4 IN FAVOR AND 2 OPPOSED.

122-

Carlin: Vernon has had contact with REA. They have given us verbal assurance that the request to use general funds on the figures we sent them are satisfactory. Within the next couple of weeks, we should have an approval on it. We are in the process now of establishing a list of guidelines and procedures to go through. After formal approval from REA, our next step is to go before the Public Service Commission for certification of the area.

Fort Ruby Ranch: Mr. Anderson is very anxious to get something done. At the last board meeting, several items came up that needed some clarification. He has clearance from the White Pine Zoning Commission. He has not had time to get the financial statement worked up. He has been working with a CPA to get it made up to show his net worth. We checked with REA for their opinion. They said we should do everything we can to provide service for those who don't have it. We talked to Martin Derksema about serving outside of the 75 mile limit. He said that if we do something like this and don't inform them, they could say that we are in violation of our contract. BPA does serve areas outside of the 75 mile limit but it is on excess capacity only. They have customers in California and other states that use excess BPA power but they are subject to a 60 day notice for cut off. If things get tight on BPA, these are the first people to go. Martin Derksema suggested that if we put the line extension in down to the Fort Ruby Ranch, that the contract should stipulate that he is on excess capacity. As long as BPA knows about it, it does not affect our contract because we are living up to the terms of our contract. We would have to notify Mr. Anderson that he could be cut off after 60 days notice if BPA was running out of power. Mr. Anderson has to pay the annual minimum regardless of how much energy he uses. We will wait and see the financial statement and make a decision at the next meeting.

Allocation Study: At last month's board meeting, we had proposals for a Cost of Service Study. Ernst & Ernst suggested we have an Allocation Study. We have received several different opinions. Miner & Miner said it would be of no value now and it would have to be done when we have a Cost of Service Study. Merrick & Company bid \$4,500 and that is how much the Cost of Service Study costs. We have not determined whether it is necessary or whether it is something that would be duplicated in the spring. One of the firms contacted said this would be the time to have the Allocation Study done, in conjunction with the Cost of Service Study and have it all done next year. GLENN WADSWORTH MOVED WE LET THE ALLOCATION STUDY GO.  
GENE PENGELLY SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Delinquent Bills: A list of delinquent bills were given to all Directors. There was much discussion on how we could collect these bills.

Appliance & Safety Report: Mike mentioned that we sold 21 smoke alarms in the Jiggs area for a total of \$434.70. Jess Urresti was in the area and stopped at the store. There was a card party going on and some ladies asked him about them, and he brought back an order for 21.

Annual Meeting: A list of expenses of the Annual Meeting was given to all Directors. The budget was exceeded by \$430. We had a very successful meeting even though the entertainment was slightly long.

Tickets at the Annual Meeting: Tom mentioned that there was a couple at the meeting who were not staying for the dinner. Therefore, they did not receive any tickets for the drawing. This was an oversight and will be corrected so it does not happen in the future.

Scholarship Committee: Five students from Wells and five from Wendover were interviewed. Guidelines were set to help the committee in selecting the recipient. Susan Howell was selected from Wells High School. She is planning to attend the College of Southern Idaho to pursue a career as a legal secretary.

-21e-

Policy Committee: On Tuesday, May 16, the committee discussed how the scholarship committee worked and how it could follow the policy. Some recommendations to change the policy were made. They would like to take the ACT score into account and change the scoring procedures and also try to list a set of questions or items to be discussed during the interview.

Construction Report: A regulator failed in the middle of the night at the Wells substation. It is by-passed at this time. We are in the process of trying to find a used one in the area or we might have to buy a new one so we will have it by summer. An estimate to repair the wind damage to the roof of the office and Medical Center in Wendover is \$2940.

Regional Power Planning: Martin Derksema is scheduled to come down here the first couple of days in June to discuss some items.

Hydro Plant: Work has been done at the Hydro Plant the last couple of weeks and we are getting close to getting it finished.

Settlement with Idaho Power: Nothing new.

Engineering Report: We have been busy with work order preparation and R/W work for several new small line extension proposals and routine work. Several cost estimates have been prepared.

Employee & Director Institutes & Schools: Phil Frank and Don McDonald attended the Mesa Hotline School in Colorado. They feel that this is very worthwhile and they highly recommend it for use in the future. We have received information on the N.R.E.C.A. Seminars scheduled for this summer. The Summer School of the West is six days and split up in two different courses. This will be held August 14-19. Permission was given for Mike to attend these courses in Steamboat Springs, Colorado. They are held in conjunction with the seminars for directors. Glenn Wadsworth will try to attend a U.R.E.A. meeting on May 24. Gene Pengelly would like permission to fly to Reno on May 22 to a meeting on N.R.E.C.A. Group Insurance. There was no objection.

In the latter part of October, Ruralite is holding a seminar on General Insurance. This will cost \$25 per person and it is scheduled for the last two days in October. There is no objection to one or two employees attending this seminar.

Power Source: Richard gathered some information on the wind energy program and Vernon took it back to Washington, D.C. and met with all three of our congressional delegates. They were very complimentary on the report that was presented. They indicated they would support us in anyway they could to get a test unit by Wells or Pequop. They will work through BPA and ERDA.

May 3 was declared "Sun Day." We received a lot of correspondence requesting that we take solar energy into consideration in our rates.

GENE PENGELLY MOVED WE APPROVE THE 17 MEMBERSHIPS FROM WELLS AND THE 12 FROM WENDOVER. GLENN WADSWORTH SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

CFC Resolution: We have a \$500,000 line of credit with CFC. Even though we do not have any outstanding loan balance with CFC, they cancel this line of credit. Every year it has to be renewed, we have to go through the process of filing some of our REA forms and we have to provide a new board resolution requesting this. This terminates on July 11. It is a resolution of the Board of Directors authorizing this extension of the \$500,000 line of credit for another 12 month period. Also, we need a person who is authorized on behalf of the Cooperative to request and receive these funds for CFC. GENE PENGELLY MOVED WE ADOPT THE RESOLUTION AND NAME PAT NOLZ AS THE PERSON TO RECEIVE AND REQUEST THESE FUNDS FOR CFC. DARYL ERIKSEN SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

Policy Interpretation: Policy 7-2 deals with employment practices. It was adopted March, 1978 as far as the sick leave clause and states in the policy, "employees who retire from the Company at the normal retirement age shall be paid for all unused sick leave time." We need some clarification on this policy for Earl's sick leave accumulation. Does this policy apply to the accumulated sick leave prior to the day this policy was adopted? Earl will be paid for his 90 days of accumulated sick leave prior to March, 1976 and the 24 days of sick leave accumulated since that date.

Union Grievance: The Manager met with John Stralla Wednesday, May 17. The union concurs with our interpretation of the agreement and also agreed it has precedence over prior practices. The other employees were informed.

Mike Fox felt that the Manager's Conference in Washington, D.C. in April which he attended was very beneficial. He had a chance to meet face to face all the people we are dealing with in the Western area. The conference was very well planned.

Policy 4-3 deals with donations of the Company. The policy provides that the Manager can donate to charities or organizations that solicit. Mike has made two donations. One was a \$20 donation to the Wells High School Rodeo Club and a \$10 donation to the Wells Boxing Club. Before we contribute to these clubs again next year, we need clearance from the Board. DARYL ERIKSEN MOVED WE DONATE THE STATED AMOUNTS TO THE WELLS BOXING CLUB AND THE WELLS HIGH SCHOOL RODEO CLUB NEXT YEAR. GENE PENGELLY SECONDED THE MOTION AND IT CARRIED UNANIMOUSLY.

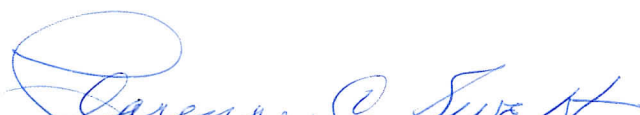
Tax Assessment: Our tax assessment in Utah has increased 53% over last year. It was not an increase in property value, it was strictly a percentage increase in the way they determine the tax value. Mike wrote to them requesting information regarding its calculation and the reasons for the increase. Their calculation was based on the market value of the property and the use of the western states allocation formula.

Glenn Wadsworth said that the plant has one long 30 line on the side of the race track which supplies power to a pump and several residential consumers. There might be a land trade to get Kaiser off the North side of the race track. If that is the case, it will be on U.S. Government land again. Glenn wanted to know what would happen if amortization is still being paid on the line. We may have to make some kind of a lump sum settlement on whatever is left on the balance. If we cannot dismantle the line and there is a customer who still wants service, the customer who wants to drop off that line is still obligated by contract to make continued payments. We would have to make a settlement with him.

Ray Crawford wanted to know what came about on the bucket truck in Wendover. We could purchase this truck for \$18,231 now. To recondition this truck, it would cost between \$1500 and \$2000. The leasing company could sell it for \$24,000 or \$25,000. Our new truck should be ready the first part of June.

The meeting adjourned at 4:30 p.m.

  
D. VERNON DALTON, PRESIDENT

  
CLARENCE C. SWETT, SECRETARY

MEMBERSHIPS TO BE APPROVED

May 19, 1978

WELLS

1. Valerie Bradford
2. Tom Brown
3. Nixon S. Gosman
4. Darwin Hardy
5. Shirley Haws
6. Raphael Hosch
7. Thomas J. Marvel
8. Roy Miller
9. Richard Millsap
10. Mildred Jean Neher
11. James B. Pires
12. Don Rudolph
13. Robert H. Schnurbusch
14. Alta Gaylene Swasey
15. Caren Weeks
16. Ken Yazzie
17. Wilmer C. Hansen

WENDOVER

1. Thomas Cowley
2. Roselyn Doherty
3. Marshall Easling
4. Osencion Gomez
5. Don W. Jewell
6. Charles Keith
7. John W. Mizer
8. Jack Morris
9. Jo Ann Storey
10. Casey Swanson
11. Kathy Turner
12. Gene Wooten



# National Rural Utilities Cooperative Finance Corporation

RECEIVED  
MAY 17 1978

## Line of Credit Agreement for Short-Term Loans

The undersigned hereby applies to National Rural Utilities Cooperative Finance Corporation (CFC), a District of Columbia cooperative association, for a line of credit for short-term loans in the amount of

\* \* \* \* \* FIVE HUNDRED THOUSAND \* \* \* \* \* dollars

( \$ 500,000.00 ) for 12 months from the date of approval. The applicant hereby agrees that, in the event CFC approves this application, the application and the approval thereof shall constitute a valid and binding loan agreement between the applicant and CFC. The applicant submits the following information in support of its application and represents and warrants that such information is true and correct:

1. Name of applicant: WELLS RURAL ELECTRIC COMPANY

2. Address: P.O. Box 365, Wells, NV 89835

3. Supporting Documents: The following documents are submitted in support of this application, and the applicant represents and warrants that such documents are true, complete and correct:

a. Action by Directors

One certified copy of resolution of Board of Directors (Trustees) authorizing application as set forth above and execution of Note and such other instruments as may be required. (Conforming to CFC Form 11)

b. Action by Manager or Other Authorized Representative

1. One copy each of year-end report (REA Form 7 and 7a or 12a and 12h) for three preceding calendar years; monthly report (REA Form 7 or 12a) for month preceding date of application; Financial Forecast (REA Form 325); and most recent CPA audit report.

2. Statement, accompanying application, providing the following information:

- a. That there has been no material adverse change in the applicant's financial condition from that set forth in the financial statements, except as specified;
- b. Whether any loans are outstanding from sources other than REA and CFC, giving names of lenders, amounts, interest rates and maturity dates; and
- c. That applicant is not in default in respect of any of its obligations and no litigation is pending except as specified. If litigation is specified, add statement whether such litigation could materially and adversely affect the applicant's financial condition.

3. If applicant has lines of credit with other lenders, give names of lenders, amount of lines, interest rate and terms.

4. General funds account number, name and address of bank to which CFC funds are to be wired.

### Terms and Conditions

Applicant agrees that the following Terms and Conditions shall constitute a part of the Line of Credit Agreement between the applicant and CFC:

- i. Applicant agrees to notify CFC while any Note issued pursuant to this Line of Credit Agreement is outstanding of any delinquency or default on any of its obligations. Applicant further agrees that the Note shall become immediately due and payable in full with accrued interest, without notice or demand, if such delinquency or default, or if the changed financial condition of the applicant, in the judgment of CFC, materially increases its risk hereunder. Applicant further agrees that CFC has the right to modify or cancel its line of credit or withhold advance of funds on the Note, if a changed financial condition of the applicant in the judgment of CFC materially increases CFC's risk hereunder.
- ii. Applicant agrees that loan proceeds will be used only for proper corporate purposes and consistently with the requirements of outstanding security documents of the borrower relating to its operations. Applicant agrees that the loan shall be repayable out of applicant's general funds and that loan proceeds are not to be deposited in applicant's Trustee Special Construction Fund Account.
- iii. Applicant agrees that it will not, without prior written consent of CFC, create, incur, assume, guarantee or otherwise become obligated in respect of any indebtedness for moneys borrowed other than applicant's indebtedness to CFC or the Rural Electrification Administration (REA).
- iv. Applicant agrees that the representations and warranties contained in this agreement shall survive the making of advances hereunder.
- v. Applicant agrees that, so long as the Note shall remain outstanding, applicant will deliver to CFC, promptly upon their becoming available, a copy of all financial and statistical reports which applicant may file with REA and a copy of any CPA audit report prepared subsequent to submission of application.
- vi. If the Note shall not be paid at maturity, the applicant promises to pay the costs of collection including reasonable attorney's fees. If payment of any principal and/or interest due under the terms of the Note is not received at CFC's office in Washington, D.C. within 5 calendar days after the due date thereof (such unpaid amount of principal and/or interest being herein called the "delinquent amount", and the period beginning after such due date being herein called the "late-payment period"), the applicant will pay to CFC, in addition to all other amounts due under the terms of this Note and this Agreement, a late-payment charge equal in amount to interest at the rate of 9% per annum (computed for the actual number of days elapsed on the basis of a year of 365 days), or such lower rate as may be fixed by CFC from time to time, on the delinquent amount for the late payment period.
- vii. This Line of Credit Agreement and the Note shall be governed by and be construed in accordance with the laws of the District of Columbia.

Date May 19, 1978

WELLS RURAL ELECTRIC COMPANY

(Name of Applicant)

By

*Patricia A. Nolz*  
(Signature)

By

*Michael Fox*  
(Signature)

Office Manager  
(Title)

General Manager  
(Title)

### APPROVAL OF APPLICATION

Date \_\_\_\_\_

The above application for a line of credit for short-term loans is approved.

Pursuant to applicant's properly executed Note (CFC Form 24, January 1974) for the full amount of the line of credit, advances of funds will be made by CFC in such amounts as may be requested by the applicant from time to time so long as the outstanding unpaid balance of all such advances shall not exceed the full amount of the Note issued in accordance with this approved Line of Credit Agreement.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION

By \_\_\_\_\_

Governor

Short-Term Loan

MAY 17 1978  
RECEIVED

PROMISSORY NOTE

\$ 500,000.00

Date May 19, 1978

On \_\_\_\_\_, 19\_\_\_\_, Wells Rural Electric Company,  
 a Nevada corporation (herein called "Cooperative"), for value received, hereby promises  
 to pay to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (herein  
 called the "Payee"), at its office in Washington, D.C., 20007, the principal sum of the aggregate unpaid principal  
 amount of all Advances made by the Payee pursuant to that certain Line of Credit Agreement (herein called the  
 "Line of Credit Agreement") between the Cooperative and the Payee approved on \_\_\_\_\_  
 19\_\_\_\_, as listed on reverse side hereof, in lawful money of the United States, and to pay interest quarterly on all  
 amounts remaining unpaid hereunder from the date of each Advance in like money, at said office, on the 1st day  
 of each January, April, July and October, commencing on the first such date after such initial Advance at a rate  
 or rates of interest per annum (computed on the basis of a year of 365 days) equal to the lowest prime rate  
 published in the "Money" column of *The New York Times* in its last publication of that column in each month,  
 each change in rate being effective as of the first day of the month following such publication, plus one percent  
 per annum, or such lesser total rate per annum as may be fixed by the Payee from time to time, until payment in  
 full of the amounts advanced hereunder. All Advances made by the Payee pursuant to the Line of Credit  
 Agreement and all payments of principal and interest made by the Cooperative shall be endorsed by the Payee on  
 the reverse side hereof.

The Cooperative waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

The Cooperative may at its option make prepayments of the principal hereof.

This Note is the Note referred to in, and has been executed and delivered pursuant to, the Line of Credit Agreement.

WELLS RURAL ELECTRIC COMPANY  
(Name of Cooperative)

By *Patricia A. Nagy*  
 (Signature)  
Office Manager  
 (Title)

By *Michael Fox*  
 (Signature)  
General Manager  
 (Title)

MAY 17 1978

RECEIVED

CERTIFIED COPY OF  
MINUTES AUTHORIZING LINE OF CREDIT  
FOR SHORT-TERM BORROWING

I, Eugene H. Pengelly do hereby certify that: I am the Secretary  
of Wells Rural Electric Company (Acting Secretary)  
(Name of Cooperative)

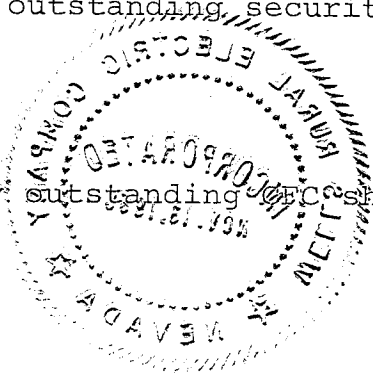
(herein called the "Cooperative"); the following is a true and correct copy of excerpts from the minutes of a meeting of the Board of Directors (Trustees) of the Cooperative held May 19, 1978, as they appear in the Minute Book of the Cooperative, including resolutions duly adopted thereat; the meeting was duly and regularly held in accordance with the bylaws of the Cooperative; the Agreement for a Line of Credit for short-term loans and the Note submitted herewith or to be submitted to CFC are or will be correct copies of these forms as presented to said meeting, the execution of which was authorized by the Board of Directors; and none of the said resolutions has been rescinded or modified:

"The Board of Directors of Wells Rural Electric Company  
(Name of Applicant)

having been advised by its counsel that the Cooperative is legally constituted, is in compliance with all applicable statutory, regulatory and other legal requirements and is in good standing, and that an application to be made to National Rural Utilities Cooperative Finance Corporation (CFC) for a line of credit for short-term loans and its approval by CFC, together with the execution of a Note or Notes as authorized by the Board and delivered for value, in the form of the Agreement and the Note presented at this meeting, will constitute valid and binding obligations of the Cooperative, enforceable by and against the Cooperative, in accordance with the terms of these documents;

"THEREFORE, BE IT RESOLVED, THAT the Cooperative establish a line of credit and authorize short-term borrowing from the National Rural Utilities Cooperative Finance Corporation (CFC) in amounts which shall not at one time exceed in the aggregate \$ 500,000 \* for a term of not to exceed 12 months\*\*, and at such interest rate or rates as shall be prescribed in the Note or Notes executed by and on behalf of the Cooperative and delivered to CFC, the proceeds of such loan or loans to be used for proper corporate purposes and consistently with the requirements of outstanding security documents of the Cooperative; and,

\* Include in this amount any presently outstanding CFC short-term loans.  
\*\*Maximum of 12 months.



"RESOLVED, THAT the Patricia A. Nolz, Office Manager  
(Insert Name or Title of Appropriate Official)  
of the Cooperative be and he is hereby authorized to execute, on behalf  
of the Cooperative, an Agreement for a Line of Credit for short-term  
loans substantially in the form of the Agreement presented to this  
meeting, copy of which is attached hereto; to execute, in the name of  
the Cooperative, a Note or Notes within the aggregate amount authorized  
by the foregoing resolution, substantially in the form of the Note pre-  
sented to this meeting, copy of which is attached hereto; to revise and  
modify said Agreement and said Note within the amount so authorized; and  
to supply such further documents as may be needed to comply with CFC  
requirements.

"RESOLVED, THAT, the Patricia A. Nolz, Office Manager  
(Insert Name or Title of Appropriate Official)  
is authorized on behalf of the Cooperative to request and receive funds  
under such Note or Notes and is directed to deposit such funds in a bank  
account used for the general funds of the Cooperative."

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the  
seal of the Cooperative, this 19th day of May, 1978.

Eugene H. Pengelly  
(Acting) Secretary

CORPORATE SEAL

