

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

September 11, 2013

The regular meeting of the Board of Directors of Wells Rural Electric Company (WREC) was held in the boardroom of the headquarters office in Wells, Nevada on Monday, September 11, 2013. President F. Scott Egbert called the meeting to order at 9:00 A.M.

Directors Gerald Anderson, D. Vernon Dalton, F. Scott Egbert, Orlin Kidner, Fred Montes de Oca, Lois Nannini, Jerry Parkin, Bruce Widmer, Mary Wright and Howard Wright were present.

Chief Executive Officer (CEO) Clay R. Fitch, Manager of Finance Buddy Welsh, Manager of Operations Mike Cromie, Manager of Corporate Services Hank James, Electrical Engineer John Henning and Director of Owner Services Thad S. Ballard, were also present.

A moment of silence was observed in honor of the victims of the terrorist attacks on September 11, 2001.

ADDITIONS TO AGENDA:

There were no additions to the agenda.

APPROVAL OF MINUTES:

After review, **IT WAS MOVED BY ANDERSON, SECONDED BY KIDNER, AND PASSED UNANIMOUSLY, TO APPROVE THE MINUTES OF THE REGULAR BOARD MEETING HELD AUGUST 14, 2013, AS PRESENTED.**

SAFETY FIRST VERSE:

Don't let me care more about your safety than YOU.

PRESENTATIONS:

Election Committee Report – The Election Committee report was included in the agenda. After discussion, **IT WAS MOVED BY MARY WRIGHT, SECONDED BY PARKIN, AND PASSED UNANIMOUSLY, TO ACCEPT THE ELECTION COMMITTEE REPORT AS PRESENTED.** Newly elected Directors Jimmie C. Whited and M Jonathan Dahl will be seated at the October Board meeting.

Youth Energy Seminar Participants – A total of 26 students participated in one of three seminars. Fourteen reported on their experiences at the seminars. Jacqueline Huff attended the Idaho Consumer-owned Utilities Association (ICUA) seminar. Ty Morley and Tristan Sweat attended the Utah Rural Electric Association (UREA) Youth Leadership Conference. Bethany Rakestraw, Christian Colazo, Jesenia Aboite, Carlos Aguilar, Rachel Johnny, Marcus Spencer, Joseph Tate, Shauna Wilson, Jake Witte, Andrew Woolsey, and Ashley Smith attended the Nevada Rural Electric Association (NREA) Youth Energy Seminar. This was the 30th Anniversary of the NREA Seminar but it is also most likely the last. The facility has been redeveloped and shifted its marketing focus. Attendance has declined to the point that it is no longer feasible to host the NREA seminar. Students will still have opportunities to

attend the UREA and ICUA seminars and to participate in the National Rural Electric Cooperative Association (NRECA) Washington D. C. Youth Tour.

EXECUTIVE SESSION:

An Executive Session began at 9:24 A. M. The Executive Session concluded at 10:46 A. M.

ACTION ITEM REPORT:

Policy 1-06 Director Fees and Expenses - After discussion, **IT WAS MOVED BY MARY WRIGHT, SECONDED BY KIDNER, AND PASSED UNANIMOUSLY, TO RESCIND ANY BOARD MOTION, RESOLUTION OR ACTION, IF ANY, TAKEN AFTER JANUARY 12, 2011, WHICH AMENDED POLICY 1-06 REGARDING BOARD MEMBER MEETING ATTENDANCE, FEES AND EXPENSES. IT WAS FURTHER DETERMINED THAT POLICY 1-06 SHALL BE AMENDED SO THAT SECTIONS II, A, AND II, F, READ IN THEIR ENTIRETY AS FOLLOWS:**

II. POLICY PROVISIONS

A. Attendance Fees

1. The Board's Chair shall receive attendance fees for:
 - a. board meetings - \$400.00 per meeting with the benefits as described in Section II, F or waive the benefits and receive \$1,400.00 per board meeting
 - b. committee meetings if not held on a board meeting day - \$200.00
 - c. training programs or other business related meetings - \$200.00/day
2. Other Directors will receive attendance fees for:
 - a. board meeting - \$200.00 per meeting with the benefits as described in Section II, F or waive the benefits and receive \$1,400.00 per board meeting
 - b. committee meetings if not held on a board meeting day - \$200.00
 - c. training programs or other business related meetings - \$200.00/day
3. The Board's Chair or a Director may elect at any time to no longer receive the benefits described in Section II, F; however, once the election is made, such Director is no longer entitled to the benefits under Section II, F.

F. Other Expenses

1. The company will pay 99% of premiums for the directors total benefit package, but only if such payments would constitute income to a director, properly reportable as such by the cooperative on the IRS Form 1099 annually. Following the six (6) month grace period, the director's spouse may only continue such insurance as permitted by the company's plan so long as the deceased director's spouse pays the premiums for such insurance.

Policy 1-10 Benefits for Retired Directors - After discussion, **IT WAS MOVED BY MARY WRIGHT, SECONDED BY PARKIN, AND PASSED UNANIMOUSLY, TO RESCIND POLICY 1-10: BENEFITS FOR RETIRED DIRECTORS IN ITS ENTIRETY.**

Post Retirement Benefits – After discussion, **IT WAS MOVED BY DALTON, SECONDED BY MARY WRIGHT, AND PASSED UNANIMOUSLY, TO OFFER ALL DIRECTORS AND**

EMPLOYEES WHO ARE PRESENTLY ELIGIBLE FOR POST RETIREMENT BENEFITS A CONTRACT WHICH WILL INCLUDE A LIFETIME MAXIMUM MONETARY OBLIGATION (“CAP”)FOR WREC ON HEALTH INSURANCE PREMIUMS AND PROVISIONS FOR A BUY-OUT FOR DIRECTORS AND EMPLOYEES.

Cost of Service Study – As part of the Record of Decision, the Cost of Service study was distributed for review. The three contract customers were provided notice of the Board meeting and details of the projected rate adjustment. None requested an opportunity to address the Board and none were present. Notice of a rate hearing held on Tuesday, August 27, 2013, was provided to all owners in Utah in accordance with Utah Public Utilities Commission regulations. Meetings were held in each community to provide an opportunity for all owners to discuss the rate adjustment and to ask questions. Revision of rates for the seasonal, street light and irrigation rate classes will be deferred until February 2014 to accommodate operating schedules and municipal budget cycles. After discussion, **IT WAS MOVED BY PARKIN, SECONDED BY MONTES DE OCA, AND PASSED UNANIMOUSLY, TO ADOPT THE RECORD OF DECISION DETAILING THE RATE ADJUSTMENT.**

Wheeling Agreement between NV Energy and WREC for the Carlin Tunnels – After discussion, **IT WAS MOVED BY PARKIN, SECONDED BY KIDNER, AND PASSED UNANIMOUSLY, TO AUTHORIZE THE BOARD PRESIDENT TO EXECUTE THE WHEELING AGREEMENT BETWEEN WREC AND NV ENERGY FOR THE METERING POINT AT THE CARLIN TUNNELS.**

Tri-Valley Distributing – Figures for the early retirement of the capital credits allocated to Tri-Valley Distributing approved at the July 8, 2013 Board meeting were inadvertently transposed. In accordance with the direction of the bankruptcy court, Oakpoint will receive \$19,880.24 while WREC will retain \$15,600.24. After consideration, **IT WAS MOVED BY ANDERSON, SECONDED BY KIDNER, AND PASSED UNANIMOUSLY, TO AUTHORIZE THE EARLY RETIREMENT OF TRI-VALLEY’S CAPITAL CREDITS AS PRESENTED.**

SAFETY MINUTES:

Following review, **IT WAS MOVED BY HOWARD WRIGHT, SECONDED BY ANDERSON, AND PASSED UNANIMOUSLY TO APPROVE THE MINUTES OF THE AUGUST 13, 2013 SAFETY COMMITTEE MEETING AS PRESENTED.**

BOARD REPORTS:

Egbert reported on the Northwest Public Power Association (NWPPA) Board meeting held in Boise. NWPPA has grown to 148 utility members and 300 affiliate members. Dues will remain unchanged in 2014.

NWPPA has historically focused on education and training. In order to better assist its members with regulatory compliance, NWPPA has become member of the Western Electric Coordinating Council (WECC). A call for resolutions has been issued with a deadline for submission in February. Executive Director Will Lutgen has advised the NWPPA board that it should begin planning for his retirement.

NRECA Voting Delegate – Due to schedule conflict, Mary Wright will not be able to attend the NREA Annual Meeting. After consideration, **IT WAS MOVED BY MARY WRIGHT, SECONDED BY PARKIN, AND PASSED UNANIMOUSLY, TO APPOINT DALTON AS THE NRECA VOTING DELEGATE.**

Ruralite Summary of Minutes – The summary was included in the agenda. Following review, **IT WAS MOVED BY DALTON, SECOND BY KIDNER, AND PASSED UNANIMOUSLY, TO APPROVE THE SUMMARY OF THE MINUTES FOR PUBLICATION IN THE OCTOBER EDITION OF RURALITE AS PRESENTED.**

Board Member Contact Information – Board members updated their contact information.

Strategic Planning –A proposed agenda was presented. Tuesday, October 1, 2013, from 8:30 A. M. until 3:00 P. M. will be reserved for a Board Self Evaluation facilitated by Dan Kessler. Beginning at 8:30 A. M. on Wednesday, October 2, 2013, the Board will tour Dixie-Escalante Rural Electric Association's solar garden. The tour will be followed by presentations on performance, considerations, marketing and policy related to the solar garden. A reception honoring Jerry Parkin's 27 years of service on the Board will begin at 6:00 P. M., followed by dinner at 6:30 P. M. Strategic planning, facilitated by Greg Boudreaux, will begin on Thursday, October 3, 2013, at 8:30 A. M. Management has prepared a three-page summary of suggested discussion items.

An owner in Wendover is installing solar panels. His intention to connect to WREC's system is unknown but should be investigated to ensure appropriate safety equipment is installed if the system is to be interconnected.

CEO REPORT:

NRECA Annual Meeting – The NRECA Annual Meeting will begin on Thursday, February 26, 2014 and conclude on Wednesday, March 6, 2014 in Nashville, Tennessee.

Bonneville Power Administration (BPA) Southern Idaho Customers Meeting – The BPA Southern Idaho Customers Meeting will convene in Sun Valley, Idaho beginning Wednesday, September 25, 2013 and conclude on Friday, September 27, 2013.

NREA Annual Meeting – The NREA Annual Meeting will be held in Las Vegas, Nevada beginning on Wednesday, September 25, 2013 and conclude on Friday, September 27, 2013. A panel discussion with members of the Nevada State Senate and Nevada State Assembly will be followed by a panel discussion with representatives of Nevada's congressional delegation. Those presentations will be followed by a tour of Hoover Dam.

NRECA Region IX Meeting – The NRECA Region IX Meeting will be held in Portland, Oregon beginning on October 15, 2013 and ending on October 17, 2013.

Fitch described a meeting with Sarah Moffitt from Senator Harry Reid's office, Emy Lesofski from Senator Dean Heller's office, and National, State and Regional Bureau of Land Management (BLM) officials as encouraging. It has been proposed that new mining projects

will pay an increased royalty to fund sage grouse enhancement and mitigation projects. There was consensus that renewals of existing permits and easements should not trigger an environmental review. If a species is threatened, then review should be occurring regardless of proposed activities. There was also consensus that wildfire and invasive species are the principal threats to the sage grouse.

Utility executives from across the Northwest and utility executives from California met with the CEO and senior staff of the California Independent System Operator (CALISO). Stacy Crowley, former director of the Nevada State Office of Energy, is now a policy analyst for CALISO. There was consensus that public opinion, legislation, regulatory initiatives, development of solar and wind generation and the future development of large-scale energy storage in response to concerns about climate change threaten the sustainability of the traditional utility business model. Approximately 3,000 megaWatts (mW) of solar generation will come on-line in California in 2014. Such changes could reduce secondary sales of wholesale energy from BPA to zero in as little as three years. This could place considerable upward pressure on rates.

California customers are being offered 20-year lease agreements to install solar panels. One utility strategy could be to eliminate cross-subsidization between energy costs and operating costs so that generation resources become irrelevant. The next major issue to confront utilities and renewable developers is likely to be capacity constraints. Energy system decisions are creating more capacity demands. Utility policies may need to be amended to allow consumers to develop generation or to reduce their bills but should not allow consumers to shift their costs onto other consumers. Net metering was criticized as a regressive social policy that punishes people who lack the ability to invest in generation rather than as a utility problem.

The Next BPA rate case will contemplate \$200 million in transmission infrastructure replacement and \$200 million in generation facility replacement. Approximately 60% of BPA's physical plant assets are 60 years old or older. Maintenance and repair options will eventually be exhausted.

Henning reported that Blake Whethers and Don Angell are working on plans for increased capacity for Wells and Wendover. The need for a long-term plan of service is being accelerated by the Long Canyon project but is important regardless of large load development. Other significant loads could include Noble Energy natural gas and oil development and resumption of copper mining in the Contact area in addition to small load growth. One way to maximize capacity would be to install a 138 kiloVolt (kV) to 69 kV transformer in Wendover to serve 8.5 mW at Oasis, Pilot and Shafter. Coincidentally, Long Canyon estimates its loads will be 8.5 mW in 2017. Capacity constraints beyond the 138 kV lines serving Wells and Wendover are difficult to model because of limited access to data for both the BPA and Idaho Power Company systems. Conductor fatigue may become an issue on the 138 kV line serving Wells. One alternative would be to tap the 345 kV transmission line and construct a 138 kV step-down station. Local generation may also be an option.

Cromie demonstrated the functions of the Station Control And Data Acquisition system using a monitor recently installed in the Board room. WREC's line crews now have remote access to hot-line protection and switch opening and closing as well as voltage and load monitoring.

Modification of an easement in Pine Valley has finally been secured from the BLM. Anti-perching device and flight diverter mitigation measures originally recommended for all fifteen miles of line were reduced to anti-perching devices on eight miles of line and flight diverters on approximately one mile of line.

BOARD AGENDA ITEMS:

There were no requests for agenda items.

There being no further business before the Board, the meeting adjourned at 12:34 P. M.

F. Scott Egbert, President

Mary A. Wright, Secretary/Treasurer