

September 24, 2010,
Re: September 22, 2010 board meeting-

Cathy Cobb of SGS Engineering who has been doing the COST OF SERVICE STUDY (rate increase) which is necessary because of the negative margins in regard to the federal loans of the SEC dropped a bombshell. It seems that back in 2004 when the SEC was doing the calculations for a rate increase to take effect in 2005, someone messed up and ignored a crucial number factor. The result was that the members were overcharged to the tune of 1.78 million dollars. That averages out to about \$60 per individual member based on amount of usage (large loads would get much, much more). This money has to be refunded. Ms. Cobb and Int. Mgr, Lopez met with the PRC on Wednesday and the suggestion is the immediate sending out of checks based on usage. Let us all hope that that calculation is done by someone who knows math.

Larry McGraw, RUS rep. for the area made the obvious point that this refund will hurt an already bad financial condition making the proposed rate increase into an emergency issue. This information about the missing factor was not given to the large load folks at last Thursday's "Informational Meeting" I do not know this as a positive fact as Charlie was not notified of the meeting even though he was at the SEC office the afternoon before the meeting but it was not reported by the press and I don't think that they would have missed it. I also do not know what trustees were notified of the "Informational Meeting;" David Wade was the only trustee in attendance.

The forensic audit is finally approved by the board and the letter of engagement signed. The auditors have requested some documents to be sent to them by email so that they can start work before they arrive on site probably at the beginning of next week. We should have some answers very soon. Mr. Lopez said two or three weeks but our information on BKD's schedule indicates a much shorter time period - they use a rapid response team on issues concerning possible fraud, etc. This audit has been delayed and delayed.

Continuing with the most important issues first, the report out from the executive session contained in an email from Charlie to Luis Aguilar, Board Sec. will follow this update.

TRUSTEE REPORTS;

Under Trustee Reports, Charlie reported on the actions of the statewide association in regard to the voting by mail at the district level. Rep. Donald Tripp will introduce a bill enabling such voting by mail at the district level. It is already legal on the Annual Meeting level something the SEC will have to take into consideration at next year's Annual Meeting. Oddly enough although only four co-ops including SEC have elections and meetings at the district level and those four are the only ones affected, the rest of the 16 co-ops oppose the voting by mail bill of Rep Tripp. They also did not like their members becoming aware of the legality of voting by mail on the full membership member level. It would seem that we will need to mount a full scale offensive in the upcoming January session of the legislature to back Tripp and encourage other representatives to give us our voting rights.

Tri-State Rep. Leroy Anaya announced that the generating giant will not be seeking a rate increase in 2011.

The Policy Committee of David Wade, Leroy Anaya, and Luis Aguilar presented their written report on certain Policies which I have not had time to read - analysis to follow in a few days.

Bid Committee Report (Chairman Wade, Members Mauldin, Ulibarri, Cordova, and Wagner) gave their recommendations on a new computer service and the purchase of two new trucks . The report was approved by the board and purchases are in the works.

Search Committee, Luis Aguilar, Chair, Don Wolberg, Leo Cordova, and Prescilla Mauldin, members presented job descriptions for Gen. Manager and Senior Accounting Officer and a draft of job advertisement. This report was referred to Executive Session for discussion.

Now to the start of the meeting-----

We had a lot of members present and one man left either due to lack of a chair or upset at the way the meeting was going---He was laughing as he walked out! The meeting also had three SEC staff members, Attorney Francish, two of the SEC's regular auditors, Randy Robbins & Jack Moss, RUS' Jack McGraw, & Cat Cobb. Not sure why two of the staff members were there or the two auditors but their presence cost the co-op in overtime and professional fees.

Six members addressed the board. Bruce Gilson asked for a written response to his oral and written request for information on the dispersal of co-op assets. Mr. Gilson had asked to purchase the wood stored on SEC property and was told that that wood was given away. Mr. Gilson is attempting to discover who received the wood and why.

Mary Cate told the board that their actions and speech made her doubt the ability of the board to conduct themselves properly. She cited the terms, "idiot" and "shut up" thrown at Charlie during the meetings.

Marie Watkins questioned the large amount of debt being carried by the SEC with the resulting negative margins. Her also questioned whether or not the loans were really necessary.

Jay Smith told the board that the proposed rate increase would be a burden on small rate payers and "drive me to the poorhouse." He also told the board that they act like children at the meetings.

Alvin Hickock also addressed the board's conduct and told them to grow up.

Virginia Martin told the board that they needed to get the forensic audit going and quickly as there was a cloud hanging over the board and the SEC.

The Manager's Report covers a world of subjects which I will list: 1. Expenditure Report, 2. Credit Card Expenditures, 3. RUS Form #7 THIS WAS NOT READY AS THE NEW SEC ACCOUNTANT HAS DISCOVERED SOME INACCURATE ENTRIES AND IS ATTEMPTING TO DISCOVER HOW FAR BACK THEY GO. 4. Delinquent Report, 5. Dish Network Report, 6. Outage Report, 7. Safety Report, 8. Construction update, 9. Vehicle Fleet Update, 10. Personnel Update, 11. Other