

A. Yes. There proposed and presented an increased adjustment to plant specific operations in the amount of €***** before application of the State Abolition Factor of 68.234%.

Q. Why did you increase plant specific operations in the plan for this abandonment adjustment?

A. ***** It seems most appropriate that the types of resources used would be most similar to the resources the Company would employ in plant specific operations. I should point out that although materials are listed among the in-kind contributions, I have chosen not to make any adjustment to them here. Materials and services for Commission will advance the Company to ensure that all such materials obtained for the Research***** project are properly accounted for as a contribution when they are used in that project.

Unrelated Capital Credits

Q. Why do you believe that the Company has failed to comply with the statutory requirements concerning unrelated capital credits?

A. Unk Revised Code Section 54-3-3(a) provides:

"Each electric and telephone cooperative shall: (1) retain capital credits given to customers of electric and telephone cooperatives in this state that remain unclaimed for a period of three years after the end of the year in which the credit is given; (2) use the unclaimed credits to (a) assist low-income persons to pay their utility bills; and (b) provide scholarships to local graduating high school seniors; (3) establish guidelines based on factors such as income or special needs to determine persons who qualify; and (4) submit copies annually to the Public Service Commission of (a) the Cooperative's guidelines; and (b) the amount and disposition of unclaimed capital credits by individual recipients."

During an on-site audit, I reviewed copies of the Company's guidelines and annual reports to the Commission. The Company was unable to produce any such guidelines or reports and I was not helped by Earl Swartz's comments that, in fact, such guidelines and reports did not exist. OCV Data Request 3.2(a) requested copies of all documents that described and supported the Company's compliance with the abandonment statute. The Company objected to the request and failed to respond thereto. After investigation I was confirmed by Commission staff that no such annual reports have been filed with the Commission by the Company as required by the Statute.

Q. Why do you believe it is important to audit this stat?

A. This is essentially an unrelated liability which affects the Company's financial condition. As of December 31, 2009 the Company's equity accounts reflect balances of €*****

***** The total of these two accounts is €***** which may only be repaid in accordance with the abandonment statute. In effect there are two funds which may not be used by the Cooperative for any other purpose other than that dictated by the statute. If you consider these amounts in the calculation listed above in my discussion of the Company's requirement of its capital in connection with the proposed "percentage refund" the Company's remaining available retained earnings minus negative territory in the amount of €*****

Q. What do you propose that the Commission do about this?

A. I believe the Commission should order the Company to fully comply with the statute and bring all required reports up to date. Depending upon the information contained in these reports, the Commission may also want to order the Company to reexamine funds sufficient to meet its obligations under the statute given the lack of management control evidenced in this case as more fully discussed by other Division Witnesses.

Q. How did you conduct your testimony?

A. Yes.