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Witness: Kerry Howard

Licking Valley Rural Electric
Case No. 2016-00174
October 31, 2015

Licking Valley's equity management plan is attached. Licking Valley has not refunded capital credits.

LICKING VALLEY RURAL ELECTRIC COOPERATIVE CORPORATION

KENTUCKY 56 MORGAN

BOARD OF DIRECTORS POLICIES AND PROCEDURES MANUAL

Policy Number 125

Effective Date: 03/20/2014

**SUBJECT: EQUITY MANAGEMENT PLAN
(CAPITAL CREDIT ROTATIONS)**

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PURPOSE:

The Board of Directors, (hereinafter referred to as Board), objective is to clearly identify the point of view of Licking Valley Rural Electric Cooperative Corporation, (hereinafter referred to as LVRECC), on the acquisition, management and distribution of the financial resources of LVRECC and to provide both general and specific guidelines for the most effective management and security of these financial resources.

POLICY:

To assure the financial integrity of LVRECC at all times so that it can be certain of providing high quality electric service on a continuing basis to its members.

To establish the means by which the members of LVRECC, in fact, receive electric service at cost.

To comply with the various regulations and operational practices prescribed by the Rural Utilities Service (RUS), Internal Revenue Service (IRS) and the Kentucky Public Service Commission (PSC) and other agencies as required.

RESPONSIBILITIES: The LVRECC Board of Directors, (hereinafter referred to as Board), and General Manager/CEO shall be responsible for, or cause to have performed, the execution of the provisions and functions as set forth in the policy and bring to the attention of the Board such information as needed to implement and comply thereof.

PRACTICES

1. Capital credits to be retired shall be in the form of a check from LVRECC and shall be paid personally or mailed through the United States Postal System. LVRECC shall strive to pay all special retirements as soon as practical after receipt of required documentation. Any checks not cashed within ninety (90) days of issue shall be stopped and that amount be placed in donated capital account. If in later years those members are located and a proper claim is filed with LVRECC, they would be paid from this account. No payments are to be made on retirements for less than five dollars (\$5.00). The retirement amount shall be accumulated from retirement to retirement with an amount at least equal to five dollars (\$5.00) can be paid.
2. Make no retirement to a member who has a past-due balance to LVRECC.

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3. To utilize the occasion of retiring Capital Credits to inform members of the philosophy and objectives of LVRECC.
 4. To allocate all capital credits to patron on a gross billing basis.
 5. To allocate capital credits from associated organizations as accrued, but pay only those capital credits for which we have received cash.
 6. The method and amount of retirements shall be determined by the Board of Directors at the time the decision is made to rotate capital credits.

This Policy supersedes all prior policies with Number 125.

Board Approved March 20, 2014

Secretary


