The Company was allocated $0.721 million in 2020 (12.0% of the EKPC total) and $0.201 million in 2019 (11.1% of the EKPC total). The Company recorded these capital credit payments as an increase to cash or temporary investments and as a reduction to its investment in EKPC, similar to it accounting for capital credit payments from CFC.

Yet, none of these EKPC capital credit payments were ~~refunded to the Company's customers or~~ strike used to reduce the base revenue requirement in this proceeding.

Q. What is your recommendation with respect to the Company's EKPC Board representation?

A. I recommend that the Commission direct the Company to actively and aggressively pursue EKPC capital credit rotations and payments to the member cooperatives. I also recommend that the Company be required to report and demonstrate to the Commission that it has done so in every future base rate proceeding to ensure that the Commission's directive is implemented.

~~**Q. Did the Company return the EKPC capital credits payments to its customers?**~~ strike

~~A. No. It simply retained them.~~

~~**Q. Why is that inappropriate?**~~ strike

A. The EKPC accrued capital credits represent the Company's allocated share of the margins that EKPC "earns" from the amounts paid by the Company's customers revenue requirement. The likelihood of finding investments where it could earn at that level for two decades or more is extremely low.

Q. What is your recommendation?

A. The Commission should direct the Company to use the entirety of the funds strike ~~formerly~~ on deposit with the RUS to repay its highest cost long-term debt. This will have the benefit of reducing interest expense and the related TIER by repaying its long-term debt so that the sum of its members' equity and long-term debt capitalization more closely match its rate base.

The Company is a regulated cooperative utility, not an unregulated investment firm. The reduction in interest expense from the repayment of long-term debt is known and certain. The return on any investment in unregulated financial assets is not known and certain.

Q. What is the effect of your recommendation?

A. The effect of my recommendation is a reduction in the long-term interest expense of $1.032 million and a reduction of another $1.032 million in the revenue requirement based on the Company's requested 2.0 TIER.

Q. Address the Company's analysis prepared in response to Staff discovery purporting to show a savings from retaining the funds on deposit with the RUS