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Contact:

Amelia Shenstone, Southern Alliance for Clean Energy, 339-223-0536
Katherine Helms Cummings, Fall-line Alliance for a Clean Environment,
478-232-8010

“Follow the Money” Map Exposes Washington EMC Spending Over \$800,000 funneled to ex-Cobb Energy insider

Marietta, GA. – New research released today from Southern Alliance for Clean Energy exposes the trail of money from Washington EMC members’ pockets to Dean Alford, former Cobb Energy executive and close business associate of indicted Cobb EMC ex-chief Dwight Brown. It also raises questions about benefits to one Washington County family.

The five EMCs (Washington EMC, Central Georgia EMC, Snapping Shoals EMC, Upson EMC, and Cobb EMC) funneled at least \$27 million to Alford via the POWER4Georgians (P4G) consortium of EMCs, which hired Alford’s company, Allied Energy Services, with a no-bid contract to build two controversial coal-fired power plants in central Georgia. Washington EMC’s share is at least \$842,000, meaning it has spent roughly \$56 per member. Cobb EMC opted on January 24 to discontinue funding P4G, leaving many questioning the remaining four EMCs’ continuing role and financial burden.

The “Follow the Money” research also highlights the role of Hugh Tarbutton, Sr., whose family owns the railroad line that would carry coal to the proposed Sandersville-area plant, Plant Washington. Tarbutton stands to gain a lucrative coal-carrying contract; he also owns the land the plant would be built on and serves on the Washington County Development Authority, which may back Plant Washington with bonds.

“Members have been asking Washington EMC for years how Dean Alford has spent their money, and hit a wall of silence,” said Amelia Shenstone, Georgia Coal Organizer for the Southern Alliance for Clean Energy, which compiled the research. “There’s no evidence that the EMCs themselves even know how the spending breaks down. If Hugh Tarbutton sells Power4Georgians his land at the same rate they paid his neighbors, he’ll make *eleven times the market value of the land* – EMCs and members need to know the justification for those transactions.”

Washington EMC member Katherine Cummings added, “I don’t know where my money is going in this process. It is a sure bet that Dean Alford knows. That’s a big problem. For EMC co-ops, the members are the regulators – if we, as members, can’t more clearly see what’s going on, how can we make sure we don’t get in the same mess that Cobb EMC got itself into?”

Dean Alford worked for now-indicted Dwight Brown as a Vice President of Cobb Energy, and kept his job even though his projects lost about \$11 million over 5 years. Allied Energy Services, a former Cobb Energy subsidiary, helped create POWER4Georgians, which then turned around and gave a no-bid contract to Allied. Cobb Energy was the ill-fated, for-profit affiliate of Cobb EMC; Dwight Brown, who was CEO of both companies, allegedly used the for-profit to steal from Cobb EMC members. Dean Alford once owned \$750,000 in preferred Cobb Energy stock.

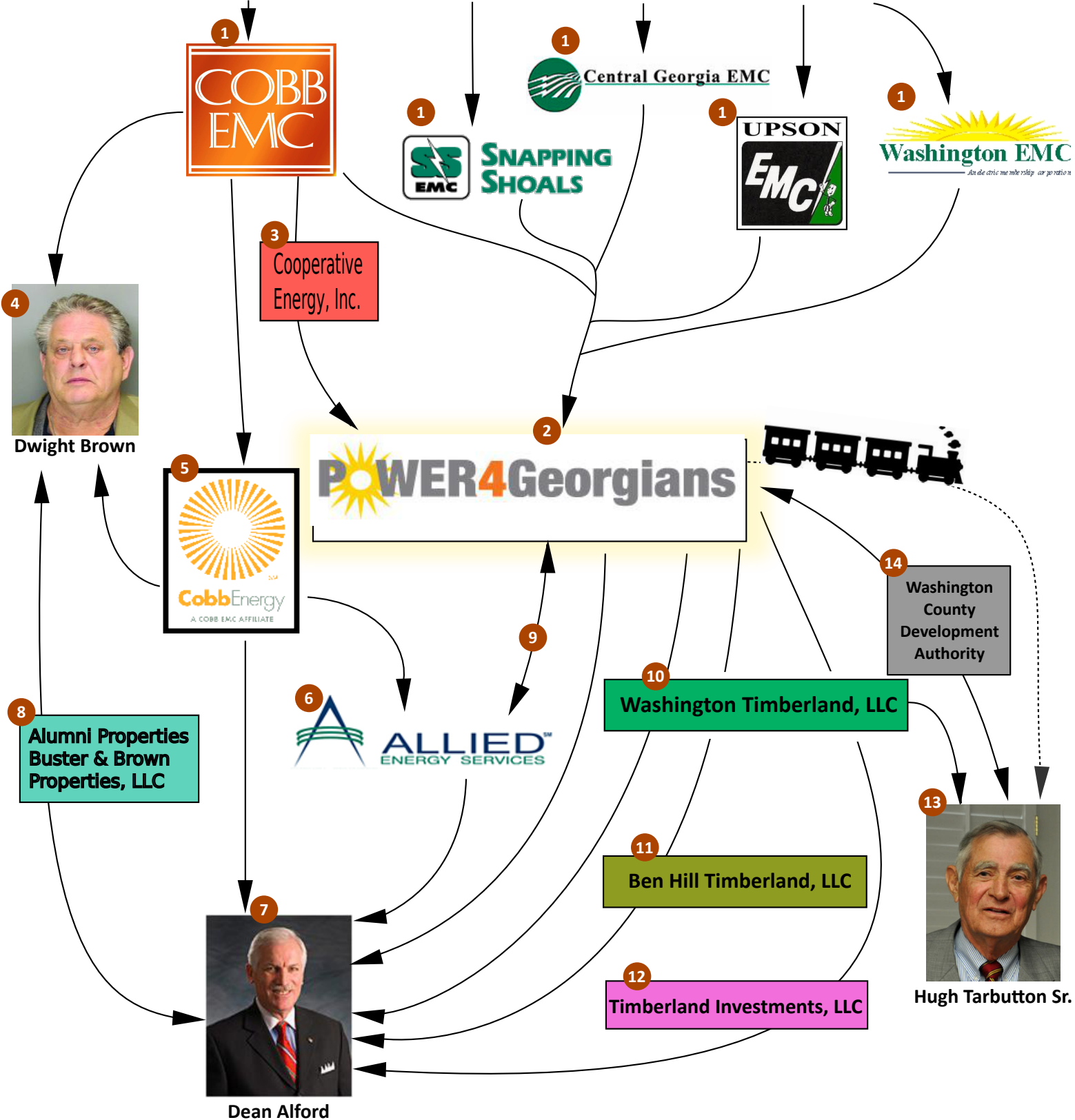
Cobb EMC’s new directors have indicated they will conduct a forensic audit to investigate the business arrangements behind P4G and other EMC affairs. Washington EMC, Central Georgia

EMC, Snapping Shoals EMC, and Upson EMC are currently still invested in this risky business proposition. Questions remain about whether they intend to push ahead with this year's installment to P4G, though several have indicated they are re-evaluating their roles in the power plant projects.

The Georgians for Smart Energy coalition continues to advocate that all the EMCs in P4G conduct a thorough analysis of their needs for new generation in light of reduced power demand trends and a stagnant economy, as well as a comprehensive assessment of alternative options including energy efficiency and renewable energy.

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Power4Georgians: Follow the Money



Power4Georgians: Follow the Money

1. **Electric Membership Corporations (EMCs):** EMC members pay monthly utility bills to Cobb EMC, Snapping Shoals EMC, Central Georgia EMC, Upson EMC, and Washington EMC.
2. **Power4Georgians (P4G):** 5 EMCs are part of the Power4Georgians consortium (P4G). According to its website, P4G promotes “green” power; however, according to Cobb EMC’s 2010 Annual Report (p.19), it was really created in 2008 “for the purpose of acquiring the assets necessary for a proposed electric generation facility.” This turned into two generation facilities: the proposed coal-fired Plant Washington and Plant Ben Hill, named after the counties in which they would be built. All these EMCs are also members of CEI.¹ As of the end of 2009, the EMCs had committed the following funds to P4G:²
 - a. Central Georgia EMC: \$6,277,704
 - b. Cobb EMC: \$11,503,913
 - c. Snapping Shoals EMC: \$8,346,024
 - d. Upson EMC: \$533,381
 - e. Washington EMC: \$842,577In 2009 member EMCs extended an additional \$10 million line of credit to P4G.³ Cobb EMC and Cobb Energy ex-CEO Dwight Brown is the organizer of P4G on the incorporation paperwork it submitted to the Secretary of State on January 15, 2008.⁴ Frank Askew, CEO of Washington EMC, is its Director, and its offices are the same as those of Washington EMC.
3. **Cooperative Energy, Inc. (CEI):** Originally, several EMCs were members of CEI, and CEI was in turn the sole member of Power4Georgians. As of April 2009 Cobb EMC had advanced \$8,524,264 to CEI.⁵ On December 31, 2009, CEI and Power4Georgians were restructured so that the individual EMCs were direct members of P4G; shortly thereafter CEI owed Cobb EMC an unexplained \$11,143,376.⁶ Dwight Brown is CEI’s Secretary-Treasurer.
4. **Dwight Brown:** Dwight Brown was President and CEO of Cobb EMC from 1993 until a court settlement forced him to retire in February 2011. A January 6, 2011 indictment accused Brown of 31 counts of racketeering, lying to members, and inappropriately directing millions of dollars to Cobb Energy. The indictment was dropped on a technicality, and a new indictment was handed down on July 7, restating the original 31 charges and adding 4 more for threatening and intimidating witnesses. Meanwhile, while he was under indictment, the EMC’s board asked the courts for permission to re-hire him; Judge Stephen Schuster soundly

¹ Application of Mr. W.T. Nelson III for Authority to Hold Interlocking Positions Pursuant to Section 305(b) of the Federal Power Act, May 27, 2008.

² Resource Assessment Payment Agreement dated January 1, 2009. Attached as Appendix A.

³ Cobb Electric Membership Corporation, 2010 Annual Report, p. 19. Available at <https://www.cobbemc.com/%7E/media/2F60CF5B4A8A4ED0A0D8A9A159BEAB71.pdf>

⁴ All corporate filings with the secretary of state can be accessed online by searching for the name of the corporation at <http://corp.sos.state.ga.us/corp/soskb/csearch.asp>

⁵ See footnote 3.

⁶ See footnote 3.

rejected this request in June, 2011.⁷ Brown's retirement was widely considered a farce, since he seemed to be continuing to do the same job as a consultant. His relationship with Cobb EMC was officially terminated over the summer of 2011, and on August 12 Judge Schuster requested an accounting of how much he was paid. In 2005, according to Cobb EMC's federal 990 form, Brown received \$335,901 in compensation for his service to Cobb EMC.⁸

While also serving as president of Cobb EMC, Dwight Brown was the CEO and Chairman of the Board of Cobb Energy from its conception in 1997 until the 2008 court settlement. According to court documents, he was making \$865,000/year including guaranteed dividends from Cobb Energy stock (it is not clear whether this includes his salary from Cobb EMC).⁹ Under his leadership, most Cobb Energy subsidiaries were financially unsuccessful.

5. **Cobb Energy:** In 1997, under Dwight Brown's leadership, Cobb EMC formed a for-profit affiliate called Cobb Energy Management Corporation (Cobb Energy) and handed over its operations and key assets, including employees and meters. Cobb EMC customers then had to pay a new fee to Cobb Energy for performing essentially the same services as Cobb EMC had performed, starting at 2%, increasing to 6%, and proposed to increase to 11% at the point when a group of EMC members sued Brown and the board for gross financial mismanagement in the relationship between EMC and Energy. The 2008 settlement of that suit required the EMC to pay \$47 million to buy back its assets from Cobb Energy.¹⁰ However, since that time, the Board's actions, or lack thereof, led Judge Schuster, who supervised the settlement, to state in June of 2011 that "This Court can reach no other conclusion from the timeline, the evidence presented and in the record that the Board has been recalcitrant in implementing the Settlement." Schuster hauled the Board of Cobb EMC in for a stern public reprimand in his courtroom on August 12, 2011.¹¹
6. **Allied Energy Services (AES):** Allied Energy Services was a subsidiary of Cobb EMC; since a 2008 court settlement required Cobb Energy to divest itself, it is, according to Dean Alford's September 21, 2010 deposition, now owned by Cobb EMC through the Cobb Energy Liquidating Trust.¹² According to Cobb Energy financial statements,¹³ between 2004 and 2007, AES had a total operating revenue of \$704,000. \$595,000 of that was related party revenue (i.e. from Cobb EMC). During the same period, operating expenses totaled \$5.034 million, yielding a loss of \$4.33 million.

⁷ Isaza, Kim. "Schuster rejects EMC effort to re-hire Brown." *The Marietta Daily Journal*, June 24, 2011. Available at http://www.mdjonline.com/view/full_story/14468162/article-Schuster-rejects-EMC-effort-to-rehire-Brown?instance=home_news_bullets

⁸ Year 2005 form 990 attached as Appendix B.

⁹ Newkirk, Margaret. "Outspoken electric co-op leader both admired, reviled." *The Atlanta Journal-Constitution*, Feb. 19, 2009. <http://www.ajc.com/business/outspoken-electric-co-op-845891.html>

¹⁰ Ibid.

¹¹ Pounds v. Brown, No. 07-1-9408-48 (Ga. Super. Ct. June 24, 2011)

¹² Deposition of Dean Alford, September 21, 2010, Fall-line Alliance for a Clean Environment et al vs. Environmental Protection Division, Office of State Administrative Hearings, State of Georgia, attached as Appendix C, p. 204-205 (982-983 on page).

¹³ Financial statements are attached as Appendix D

7. **Dean Alford:** C. Dean Alford, PE is President and CEO of Allied Energy Services. His brother Dan is the CFO and Senior Vice President.¹⁴ Dean Alford is a one-time board member, shareholder and Senior Vice President of Cobb Energy. According to Cobb Energy financial statements, between 2002 and 2007, Cobb Energy appears to have lost more than \$11 million on the operations of three Alford-led subsidiaries, Allied Utility Network, Allied Energy Services and Cobb Energy Mortgage.
8. **Alumni Properties and other real estate partnerships:** Alumni Properties is a joint business venture of Dwight Brown and Dean Alford. Alford is the Managing Partner of Alumni Properties, a real estate venture in Mississippi; Brown is a partner in that venture and the LLC is headquartered at Dwight Brown's home address.¹⁵ Alford and Brown are also partners in a real estate development of land in Tennessee; in 2006, the venture, known as Buster and Brown Properties, LLC filed as a limited liability company in the State of Georgia, with Dwight Brown as its organizer.¹⁶
9. **P4G's relationship with AES:** In 2008, Power4Georgians contracted Alford-led Allied Energy services to develop two coal-fired electric generation plants, expected to cost \$4.4 billion combined. Curiously, an Allied staffer registered the Power4Georgians.org domain name *prior* to its incorporation,¹⁷ suggesting that Allied created P4G in order for P4G to award it a lucrative contract. In his 2010 deposition,¹⁸ Dean Alford reported that his company did not submit a bid for the project, that he was approached despite the fact that he has no prior experience developing a coal plant, and that he was unaware of any other bids being solicited for the contract.
While P4G is headquartered at the offices of the Washington EMC and Washington EMC's President is identified as its registered agent, there seems little question that Dean Alford provides the day to day leadership of the organization. Alford is the spokesman for P4G in nearly all media coverage of Plant Washington, Plant Ben Hill, and Power4Georgians. He said in his 2010 deposition that he is the "Project manager playing the role of the developer."¹⁹
10. **Washington Timberland, LLC:** Washington Timberland, LLC was organized by Dean Alford. Power4Georgians names Washington Timberland as an affiliate, and P4G's EMC members have agreed to pay expenses it incurs in the process of plant development.²⁰ Dean Alford's brother Dan is its registered agent and the LLC is headquartered at the offices of Allied Energy Services.²¹

¹⁴ <http://www.alliedenergyllc.com>

¹⁵ Clarence Dean Alford, State of Georgia Financial Disclosure Statement, June 30, 2009.

¹⁶ Certificate of Organization, Buster & Brown Properties, LLC, April 3, 2006.

¹⁷ <http://who.godaddy.com/whoischeck.aspx>

¹⁸ Deposition of Dean Alford, September 21, 2010, Fall-line Alliance for a Clean Environment et al vs. Environmental Protection Division, Office of State Administrative Hearings, State of Georgia. See Appendix C, p. 205-206 (983-984 on page).

¹⁹ See footnote 12.

²⁰ See footnote 2.

²¹ See Appendix B.

11. **Ben Hill Timberland, LLC:** Ben Hill Timberland, LLC, like Washington Timberland, was organized by Dean Alford, and his brother Dan is its registered agent. Ben Hill Timberland is headquartered at the offices of Dean's company, Allied Energy Services. P4G names Ben Hill Timberland as an affiliate, and P4G's EMC members have agreed to pay expenses it incurs in the process of plant development.
12. **Timberland Investment, LLC:** Again, Timberland Investment's organizer and registered agent is Dean Alford's brother Dan, and its mailing address is the same as Cobb EMC's. P4G names Timberland Investment, LLC as an affiliate, and P4G's EMC members have agreed to pay expenses it incurs in the process of plant development.
13. **Hugh Tarbutton, Sr.:** Hugh Tarbutton Sr. owns the land Plant Washington would be built on. Washington Timberland bought neighboring property for nearly \$15,000/acre.²² If it pays the same rate to Tarbutton, it would be paying more than 11 times the assessed value of the land.²³ Tarbutton's family owns the Sandersville Railroad, which operates the rail spur on which coal to Plant Washington would presumably be carried. He therefore stands to gain a substantial contract if the plant is built.
14. **Washington County Development Authority:** Mr. Tarbutton is Chair of the Development Authority of Washington County.²⁴ According to a 2009 Macon Telegraph article, Power4Georgians plans to finance Plant Washington by purchasing bonds from the Development Authority.²⁵

²² Washington County Assessors Office, Parcels 125.003, 125.003B, 125.003C and 125.003D accessed via Internet.

²³ Washington County Assessors Office, Parcel 124.011 accessed by the Internet. The 2009 Tax Year Value of the property on Mayview Road was \$1,596,156 and the total land was 1251.42 acres.

²⁴ <http://washingtoncountyga.com/development-authority/>

²⁵ Duncan, Heather. "Plant Washington financing questioned." *The Macon Telegraph*, Dec. 9, 2009. <http://www.macon.com/2009/12/09/946166/plant-washington-financing-questioned.html>