

# POWERING YOUR WORLD

ANNUAL REPORT 2016



**Choptank Electric  
Cooperative**

A Touchstone Energy<sup>®</sup>  
Cooperative





# Letter to the Members

From the President and CEO, and the Chairman of the Board

For over 75 years, Choptank Electric Cooperative has powered your world on Maryland's Eastern Shore by providing affordable, reliable, and safe electricity. While serving over 53,000 member-owners, we pride ourselves in bringing advanced technology to you.

Powering your world includes powering you, the member, with advanced technology that will help keep your power on and provide you with the tools to be more efficient users of electricity and save money.

In 2016 we completed our Advanced Metering Infrastructure (AMI) deployment. AMI significantly contributes to the advancement of our electrical system with benefits for our members. With this AMI system we now have better information during outages which enables us to restore power more efficiently. Through our online bill payment system, SmartHub, members can access hourly and daily usage information represented in easy-to-read graphs so that you can better manage your electric bills. In addition, we now have the ability to develop creative and innovative rates which can help you reduce your energy bill.

Our new Regional Member Service Center (RSC), located in Salisbury, has been open to the membership since June 2016. This facility provides us a working Member Service Center that serves as a backup to our Headquarters facility in the event of a catastrophic event. Similarly, we are working on a redundant system control facility, enhancing our outage management capabilities. To help the RSC become LEED certified, and to help off-set costs for our facilities, we contracted Standard Solar to install a solar field with 1,596 panels adjacent to the building.

In 2016 we invested \$20 million in infrastructure projects to enhance and harden our electric distribution system. Your Board and Staff has worked hard to maintain reliability and service in the face of rising costs. The investments made during the year did not have any impact on electric rates. In fact, rates at the end of 2016 were less than rates at the beginning of the year.

While we work hard to bring power to you, we also work hard to support the communities we serve. Our employees help to power our communities with their volunteerism in a variety of service organizations, churches, and schools. With our various community outreach programs such as Operation Round Up, Youth Tour, and our scholarship opportunities for students, we give back to our communities so that our members can thrive.

The Co-op will continue to look for new ways to better serve you by continuing to be your source for power and information.



## Our Mission

Choptank Electric Cooperative exists to provide reliable and cost effective electricity that improves the quality of life for our member-owners. We are committed to service excellence guided by the Seven Cooperative Principles.

*Michael I. Wheatley* *Chris D. Davis*

# Powering Your Co-op

## Board of Directors



Olin S. Davis, III  
Chairman,  
Kent County



Jeffrey D. Rathell, Sr.  
Vice Chair,  
Talbot County



John J. Burke, Jr.  
Secretary-Treasurer,  
Cecil County



Robert E. Arnold  
Queen Anne's County



David W. Bruning  
Worcester County



Francis A. Callahan, Jr.  
Caroline County



Matthew R. Holloway  
Wicomico County



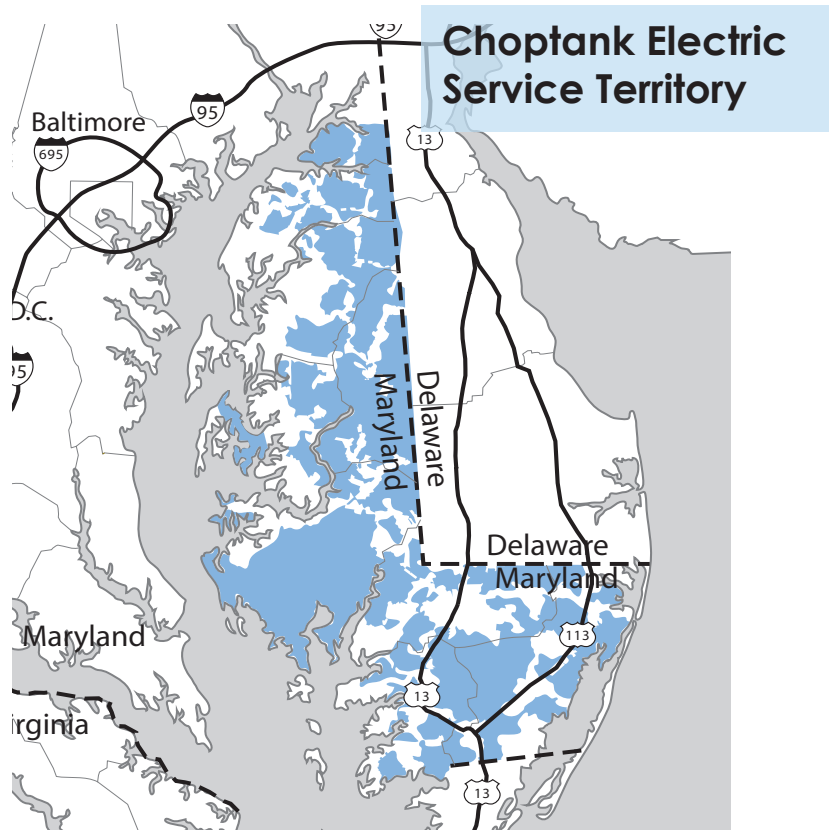
Francis A. Ruffo, Sr.  
Ocean Pines District  
(retired 12/16)



Douglas D. Scott  
Dorchester County



Carl R. Widdowson  
Somerset County



Choptank Electric service territory represented in blue

## Executive Staff



Michael I. Wheatley,  
President and CEO



Robert P. Behlke,  
Vice President of  
Member Affairs



Todd R. Bireley,  
Vice President of  
Engineering Services



Paula J. Bishop,  
Vice President of  
Human Resources



Lisa H. DeSantis,  
Vice President of  
Corporate Services



W. Lance Lockerman,  
Vice President of  
Distribution Services



# Powering the Members

## Advanced Technology

At Choptank Electric Cooperative, we pride ourselves on providing quality and affordable service. The Co-op continues to advance its electrical grid so that delivering power to our members becomes more efficient. This technological advancement is a step towards a more reliable and updated electrical system. As your Co-op moves forward, we look to provide advanced account features and other personalized service, including time-of-use rates, development of an electric vehicle rate, troubleshooting, and overall better system management.

Throughout the year, your Co-op has implemented capital projects that have increased reliability and service. These projects included upgrading substations and overhead power lines, installing fiber optics to our substations and transformers, and ensured that we have clean and maintained right-of-way for our lines.

All of our capital projects enable us to provide reliable, safe, and affordable electricity. Each project was selected based on importance and long term planning goals for future grid advancements.

We serve **65,958** calls were made to the Member Service Center  
**53,484** members

System Energy Peaks  
Winter: Feb. 17 at 8AM with 241,288 kW  
Summer: Aug. 13 at 6PM with 256,549 kW

**8.5** meters per mile of line  
**6,261** total miles of line

## Renewable Energy

Independent and sustainable renewable energy is an important addition to our energy portfolio.

The electric industry is undergoing a major transformation. Electric cooperatives, including Choptank Electric, are dramatically altering both the mix of fuels used to generate electricity, and how electricity gets to co-op members.

Changes in technology and the market have contributed to making renewable energy more cost-effective. Co-ops are now purchasing and generating more renewable resources, bringing wind, solar and hydro energy into the electric power system, meaning electricity is becoming “greener.”

Choptank Electric currently purchases renewable energy for its portfolio through Old Dominion Electric Cooperative (ODEC), our wholesale power supplier.

In addition to changing the way we buy power, we also look at how we power our own facilities. In November 2016, our Regional Service Center solar project was completed by Standard Solar. This 1,596 panel solar field built on 1.2 acres is expected to produce 706 MW (megawatts) or 706,000 kW (kilowatts) a year. For comparison, on average, most residential homes use 1,000 kWh a month. The solar field will supply energy for the Regional Service Center, and offset other Choptank Electric facilities load during high generation time periods.

**583**  
net metered accounts

**159**  
full-time employees



## Vegetation Management

The mission of our Vegetation Management Program is to enhance reliable service to the Cooperative's members. To accomplish this mission, we use proven vegetation management activities such as tree trimming, tree removal, mowing, and herbicide application that conserves the vast natural resources of the Delmarva Peninsula located in our service territory.

Tree trimming and mowing operations have been primarily performed by Asplundh Tree Experts of Willow Grove, Pennsylvania.

In 2016, they trimmed 488 miles of line, mowed 452 acres of land, removed 4,568 trees, and also sprayed 1,107 acres of property with herbicide to keep the areas contained.

We replanted **352**  trees

## Empowering Members

Because we now have an advanced metering infrastructure, SmartHub, our online bill payment service, has become a vital way of communicating information to our members, and gives our members many additional and convenient features. Members can pay their bills online, go paperless, schedule payments, get billing notifications, report outages, and can monitor their energy usage.

Smarthub is available to all members by simply creating an online account. View hourly, daily, monthly, or even year to year comparisons to measure how much electric you use, when you use it, and how you might be able to better conserve your energy.

SmartHub, connecting with you, and putting the power in your hands.

 Connecting with you



**99.96%**  
average  
system  
reliability

**2.12 hours**  
Member Average Interruption  
Time (major storm and power  
supplier outages removed)





# Powering the Community



As a Co-op, powering local communities is one of our core principles. Giving back to our local communities boosts the local economies and helps take care of members. We give back to those communities through our many different outreach programs.

## Youth Tour

Youth Tour is a high school leadership program developed nationally by the National Rural Electric Cooperative Association (NRECA) to give students the opportunity to learn about government, history, and to experience Washington, D.C. up close with 1,500 other students from all across the country. For over 50 years we have selected five students to represent our Co-op in this program. We are proud that we can support and educate the future generation of Co-op members.

**5** junior high school students are selected every year to attend Youth Tour



## Operation Round Up

In 2004 we adopted the community outreach program, Operation Round Up. Members who participate in this program 'round up' their electric bills to the nearest dollar and donate that extra change to the program. This money is then distributed into the local communities by the Choptank Electric Trust Board. The board represents all nine counties on the Eastern Shore of Maryland, and they ensure that all funds are given to worthy causes located in those counties.

**93%** **\$14,000**

of our members participate in Operation Round Up spent annually in academic scholarships

**\$3.7 Million**

in grant money has been approved since 2004 for Operation Round Up



## Capital Credits

The Choptank Electric Cooperative Board of Directors voted to return \$1.75 million to its members during the month of December 2016. These were paid to long-time members who were part of the Co-op in 1992.

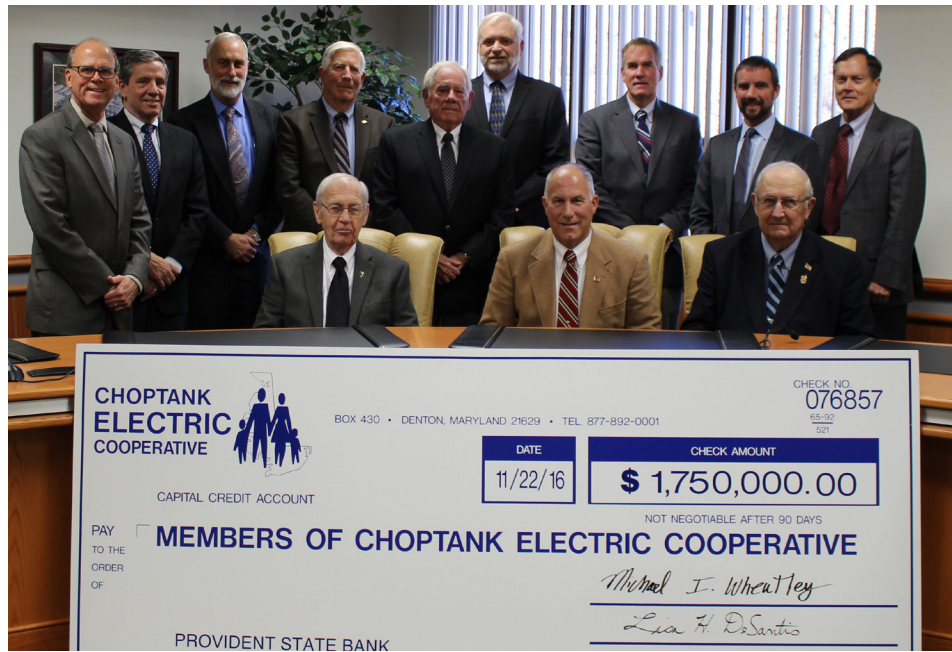
When members sign up to receive electric service from Choptank Electric, they become a member of the Co-op, not a customer. While investor-owned utilities return a portion of any profits back to their shareholders, electric co-ops operate on an at-cost basis. Co-ops return their profits to its members. The amount received by the member is based on how much electricity the member purchased during a year.

Over **\$37 million**  
has been returned to our members

## Luck of the Draw Scholarships

At the end of the 2016 Annual Meeting, Choptank Electric Cooperative's Board of Directors gave away ten \$1,000 Luck of the Draw scholarships to Co-op members who were attending a higher education institution in the fall of 2016. The scholarship recipients are randomly selected members from a drawing held during the annual meeting.

In addition to our official programs, we also add value through other ways such as career days at local elementary, middle, and high schools, giving tours of our facilities, and hosting safety presentations. Education and information is another Co-op Principle that we value. As a Touchstone Energy Co-op, we want to be our member's first source for power, and information.





# Choptank Electric Cooperative, Inc. Statement of Operations

December 31, 2016 and 2015 (Note: The Statement of Operations for 2016 and 2015 are audited results.)

## Income

Revenue

**2016**

\$130,297,520

**2015**

\$139,235,846

## Expenses

Purchased Power Cost

\$77,695,499

\$83,916,332

Operations Expense

\$3,901,177

\$3,922,083

Maintenance Expense

\$6,789,806

\$7,063,831

Consumer Account Expense

\$4,223,784

\$4,615,168

Admin & General Expense

\$7,564,697

\$8,666,660

Depreciation

\$12,891,202

\$12,265,832

Taxes

\$3,464,921

\$3,339,870

Interest Expense

\$9,376,116

\$9,081,346

Other Deductions

\$643,065

\$290,864

Total Expenses

\$126,550,267

\$133,161,986

## Margins

Operating Margins

\$3,747,253

\$6,073,860

Non-Operating Margins

\$1,673,680

\$480,910

G & T Capital Credits

\$1,642,015

\$1,111,390

Other Cap Credits/Patronage Dividends

\$860,147

\$728,464

Total Margins

\$7,923,095

\$8,394,624

## Meters

Residential 48,277

Com. & Ind. 4,955

Primary 26

Lighting 226

Total: 53,484

## Real Estate & Personal Property Tax

County 2016

Caroline \$689,392

Cecil \$140,141

Dorchester \$468,049

Kent \$211,058

Queen Anne's \$197,106

Somerset \$255,105

Talbot \$311,891

Wicomico \$407,805

Worcester \$512,365

Total \$3,192,912



# Choptank Electric Cooperative, Inc. Balance Sheet

December 31, 2016 and 2015 (Note: The Balance Sheet for 2016 and 2015 are audited results.)

## **Assets (What We Own)**

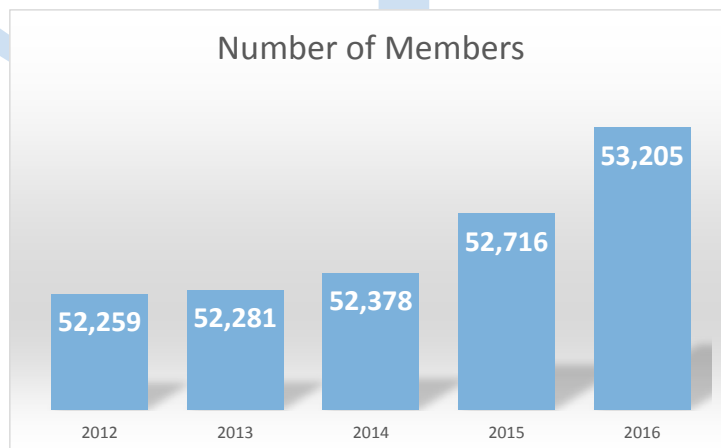
	<b><u>2016</u></b>	<b><u>2015</u></b>
Net Utility Plant	\$296,046,623	\$281,808,017
Investments	\$64,089,584	\$62,487,404
Cash	\$82,120	\$127,384
Accounts & Notes Receivable	\$8,212,137	\$7,447,293
Materials & Supplies	\$6,327,060	\$10,498,485
Prepaid Expenses	\$1,759,149	\$1,992,836
Other Current & Accrued Assets	\$14,395	\$14,077
Deferred Debits	\$55,068	\$33,016
<b>Total Assets</b>	<b>\$376,586,136</b>	<b>\$364,408,512</b>

## **Liabilities**

Long Term Debt	\$207,087,289	\$192,505,496
Notes Payable	\$6,830,014	\$14,420,437
Accounts Payable	\$8,669,742	\$9,583,879
Consumer Deposits	\$2,395,120	\$2,561,637
Current Maturities Long-Term Debt	\$8,999,552	\$8,867,813
Other Liabilities	\$3,546,284	\$3,606,587
Deferred Credits	\$2,261,947	\$2,101,161
Accumulated Operating Provisions	\$10,399,330	\$10,520,117
<b>Total Liabilities</b>	<b>\$250,189,278</b>	<b>\$244,167,127</b>

## **Members' Net Worth**

Membership Fees	\$384,455	\$384,455
Accumulated Margins	\$122,787,318	\$117,933,782
Other Equities	\$3,225,085	\$1,923,148
<b>Total Members' Net Worth</b>	<b>\$126,396,858</b>	<b>\$120,241,385</b>
<b>Total Liabilities/Net Worth</b>	<b>\$376,586,136</b>	<b>\$364,408,512</b>





# Choptank Services Corporation, Inc. Balance Sheet and Income Statement

December 31, 2016 and 2015 (Note: The Balance Sheet and Income Statement for 2016 and 2015 are audited results.)

## **Income Statement**

	<b><u>2016</u></b>	<b><u>2015</u></b>
EXPENSES		
Interest Expense	\$53,881	\$61,342
Professional Fees	\$14,697	\$20,483
Miscellaneous Expense	\$19,178	\$15,493
Total Expenses	\$87,756	\$97,318
OTHER INCOME		
Gain – Sale of Stock	\$68,079	\$130,553
Dividend Income	\$102,015	\$169,000
Patronage Capital – CoBank	\$22,652	\$26,351
Income/Loss Investment Subsidiaries	\$394,104	\$165,410
Total Other Income	\$586,850	\$491,314
Net Income	\$499,094	\$393,996

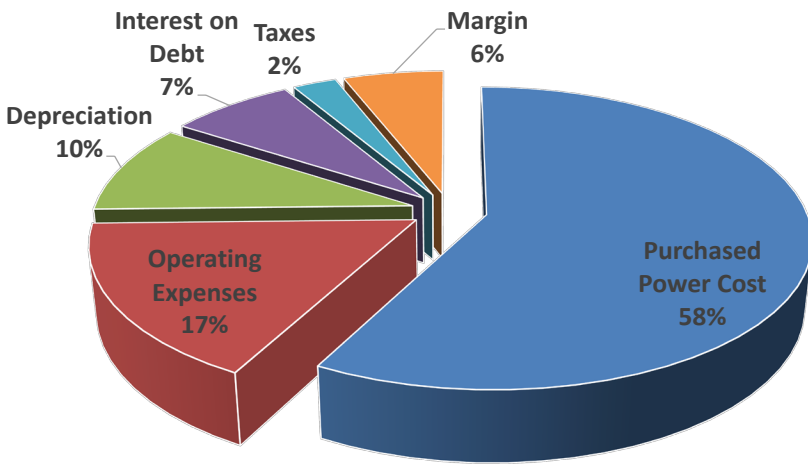
## **Balance Sheet**

	<b><u>2016</u></b>	<b><u>2015</u></b>
CURRENT ASSETS		
Cash	\$55,940	\$30,988
Prepaid Office Expense	\$106	\$110
Total Current Assets	\$56,046	\$31,098
OTHER ASSETS		
Investment in CoBank	\$1,000	\$1,000
Investment in MACS	\$3,749,232	\$3,462,049
Patronage Capital – CoBank	\$242,518	\$236,855
Total Other Assets	\$3,992,750	\$3,699,904
Total Assets	\$4,048,796	\$3,731,002
CURRENT LIABILITIES		
Accrued Year End Expenses	\$4,393	\$4,566
CoBank Line of Credit	\$1,820,000	\$2,000,000
Payable to Choptank Electric	\$2,445	\$3,572
Total Current Liabilities	\$1,826,838	\$2,008,138
EQUITY		
Investment from Choptank Electric	\$2,095,000	\$2,095,000
Retained Earnings	(\$372,136)	(\$766,132)
Net Income	\$499,094	\$393,996
Total Equity	\$2,221,958	\$1,722,864
Total Liabilities and Equity	\$4,048,796	\$3,731,002

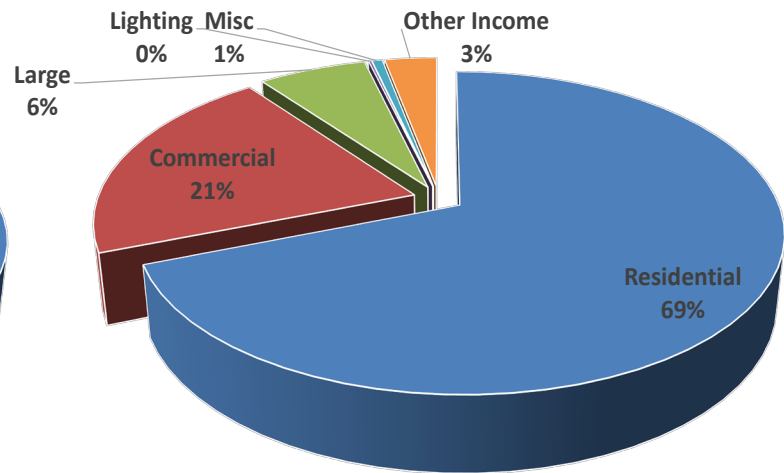
Choptank Services Corporation is a wholly-owned subsidiary which owns 39.67% of Mid-Atlantic Cooperative Solutions (MACS). MACS provides multi-fuel distribution services including propane and diesel oil, primarily to Pennsylvania and Maryland.



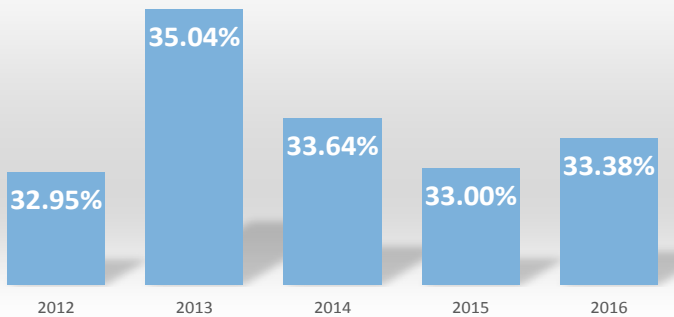
### How the Cooperative Dollar Was Spent



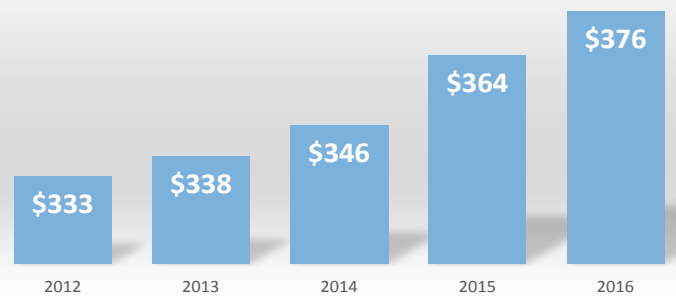
### Revenue by Rate Class



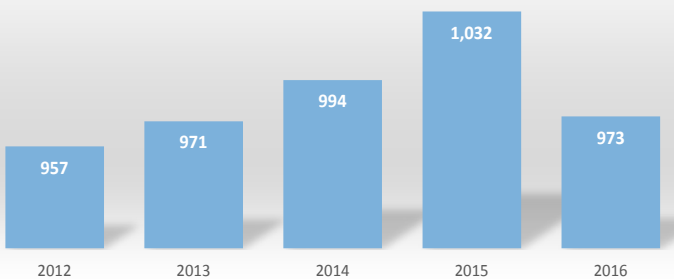
### Equity as a % of Assets



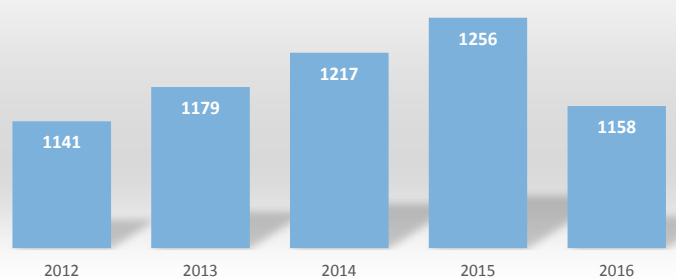
### Assets (in millions)



### kWh Sales (in millions)



### Average kWh Residential Usage (monthly)



### Number of Net Metered Accounts/Year



### Net Metering on System (KW)/year







# Choptank Electric Cooperative

A Touchstone Energy®  
Cooperative



Touchstone Energy Cooperatives provides the resources of a larger, national network to local electric co-ops across the country. The network is made up of close to 750 local, member-owned electric cooperatives in 46 states. Since 1999, Choptank Electric has been a proud Touchstone Energy Cooperative, and abides by Touchstone Energy's four core values: Innovation, Integrity, Accountability, and Commitment to Community.



The Regional Service Center, located in Salisbury, MD, which opened for business on Monday, June 20, 2016.



Connecting with you



You Tube

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[www.choptankelectric.coop](http://www.choptankelectric.coop)

Toll-Free ♦ 1•877•892•0001  
Outage Reporting ♦ 1•800•410•4790  
Automated Member Service ♦ 1•866•999•4574