



**Choptank Electric
Cooperative**
A Touchstone Energy[®]
Cooperative 

Broadband Action Plan

Purpose Statement

This Broadband Action Plan will outline the structure for the provision of broadband internet service to the Choptank Electric Cooperative (Choptank) membership territory in a manner that maximizes Choptank's existing resources without subsidization by electric members.

Subsidiary Formation

Choptank will form a subsidiary entity for the broadband business. The Finance and Audit departments will establish best practices around the allocation of broadband and cooperative resources. Additional information is provided in the Broadband Cost Allocation Methodology.

Subsidiary Oversight

An executive operational decision-making team will be established to make day-to-day business decisions for the broadband subsidiary, with ultimate report to the Board of Directors for Choptank Electric Cooperative.

Feasibility Study and Implementation

An independent feasibility study will be conducted by Choptank and its consultants to establish the magnitude of the broadband buildout. This will be combined with Choptank's existing background knowledge of a rural fiber-to-the-home project, engineering and operations experience to further define the deployment schedule and best utilize Choptank's resources.

Financial Support

Once there is clarity on feasibility and implementation, a short- and longer-term funding plan can be more clearly defined. The funding will initially come from Choptank's borrowing power and will be repaid as revenues are generated from the subsidiary company.

Member Communication

Choptank will be providing transparent and ongoing communication with the membership regarding deployment schedules. Additionally, financial information and results will be shared at Choptank's Annual Member Meeting.





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Broadband Cost Allocation Methodology

Choptank Electric Cooperative (Choptank) intends to provide broadband internet service through a wholly owned subsidiary in a manner that maximizes Choptank's existing resources without subsidization by electric members.

The costs of Choptank's provision of the services to the broadband subsidiary will be based on Choptank's direct incurred costs of providing the services. The books of the broadband subsidiary will be accounted for in our business application software as a separate division of the Cooperative.

The broadband subsidiary's direct costs will be accounted for using division accounting, task codes for direct labor, and overhead costs. The broadband subsidiary's indirect costs will be allocated based upon the ratio of electric to broadband customers. Choptank will bill the broadband subsidiary on a monthly basis for direct and indirect costs.

