



Choptank Electric Cooperative

A Touchstone Energy[®]
Cooperative



2021 ANNUAL REPORT



Mike Malandro
President & CEO



Jeffrey D. Rathell
Chairman | Talbot County

Dear Members,

While COVID remained at the forefront of many minds in 2021, at Choptank Electric Cooperative we forged ahead with our many plans for our electric grid, high-speed internet connections, and the future of the Eastern Shore.

Continuing to do business with exemplary service while also considering the safety and security of our employees and members was crucial for us as we moved forward.

Working for the best interest of our members is always our end-goal, and what better way to provide improved quality of life for our members than with our new wholly owned subsidiary, Choptank Fiber. Partnering with various county governments, Choptank Fiber began working on fiber installations to members in Caroline, Queen Anne's, Somerset, Wicomico, and Worcester counties last year. With hundreds of miles of distribution fiber installed, we are ahead of schedule in our effort to deliver fast and reliable fiber internet directly to rural homes.

With this technology, we hope to bring economic development to the area along with better educational opportunities, tele-health capabilities, work-related activities, and many different entertainment features including streaming services, video gaming technologies, and video chatting with friends and family.

Working to connect members to Choptank Fiber did not prevent us from delivering affordable, reliable, and safe electricity to our members. Maintaining over 6,000 miles of electric lines across the Eastern Shore, we continue to receive a 99% reliability rating from the ASAI, and we are pleased that our long-term investments continue to pay off.

For over 80 years, Choptank Electric Cooperative has served its members and community faithfully – and we hope that we can continue to do so for the next 80 years.

Mike Malandro
President & CEO

CHOPTANK ELECTRIC LEADERSHIP

- BOARD OF DIRECTORS -



Jeffrey D. Rathell, Sr.
Chairman,
Talbot County



John J. Burke, Jr.
Vice Chairman,
Cecil County



Douglas D. Scott
Treasurer,
Dorchester County



Robert E. Arnold
Secretary,
Queen Anne's County



Donna R. West
Worcester County



Craig N. Mathies Sr.
Somerset County



Olin S. Davis, III
Kent County



Matthew R. Holloway
Wicomico County



Robert B. Thompson
Ocean Pines District



Amy I. Brandt
Caroline County

- EXECUTIVE STAFF -



Mike Malandro
President
and CEO



Valerie T. Connelly
Vice President of Government
Affairs and Public Relations



Paula J. Bishop
Vice President of
Human Resources



Lisa H. DeSantis
Vice President
and CFO



W. Lance Lockerman
Vice President of
Operations



Leroy D. Sverduk
Vice President of
Engineering



Timothy W. McGaha
Vice President of
Technical Services



Sarah M. Dahl
Vice President
& General Counsel

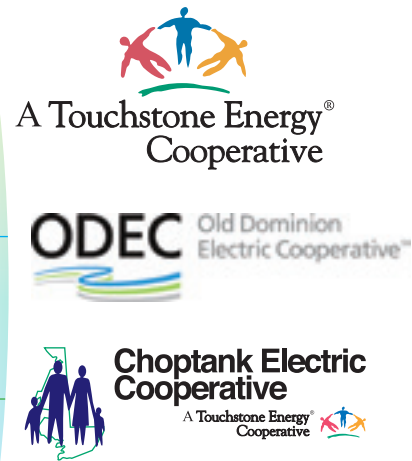
CHOPTANK
ELECTRIC
COOPERATIVE

MISSION STATEMENT

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 7 Cooperative Principles.

PARTNERSHIPS WITH PRIDE



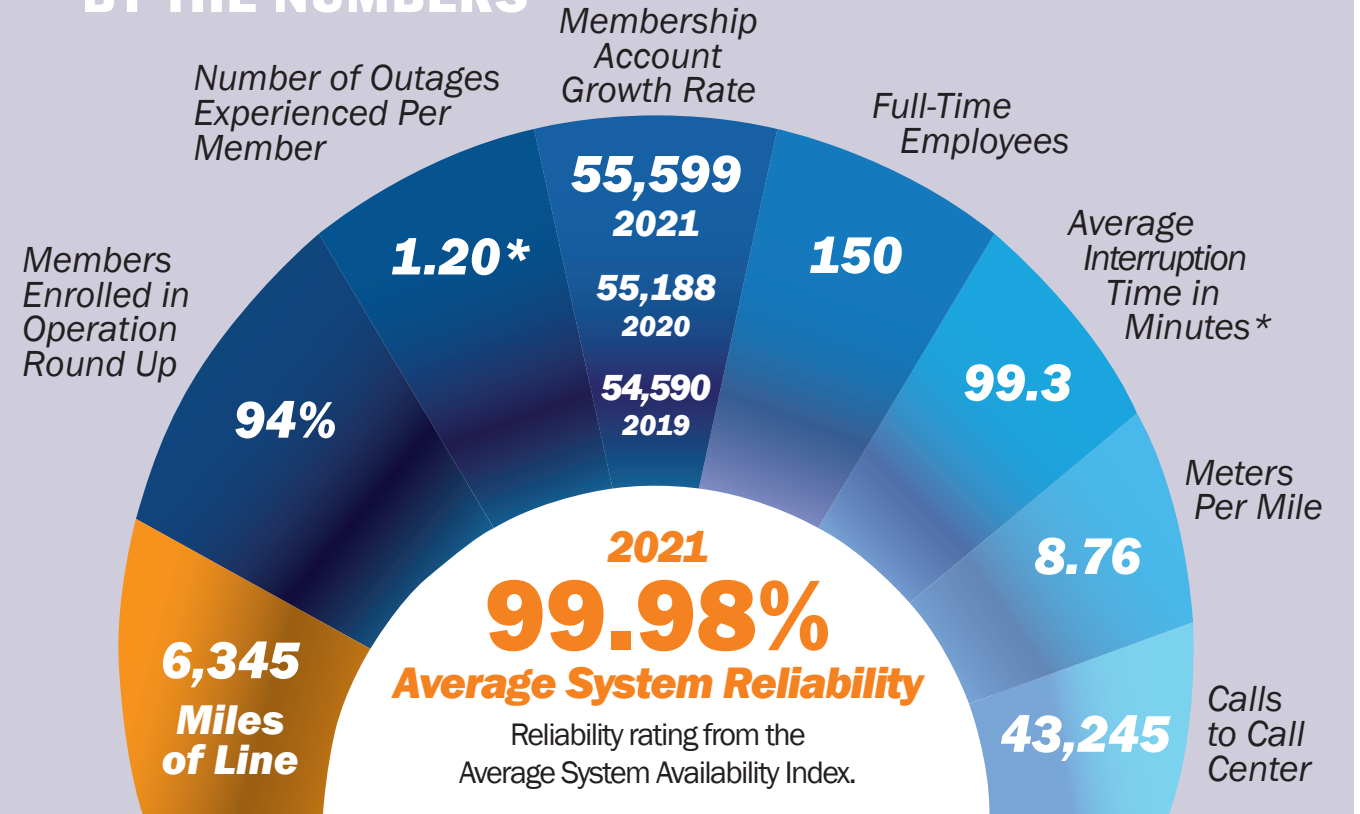
WORKING TOGETHER TO BENEFIT MEMBERS

Touchstone Energy® Cooperative Inc. is a membership organization representing a network of locally owned cooperatives across 45 states. Being a member of Touchstone Energy Cooperative means you are served by a not-for-profit cooperative committed to the core values of integrity, commitment to community, accountability, and innovation. Together, we put members first setting us apart from other utilities. With the help of Touchstone Energy's brand recognition efforts, we can offer useful services to our members like the Co-op Connections Card, energy efficiency and renewable energy tools and information, and more.

Another partnership we continue to benefit from year after year is our membership as one out of ten other cooperatives that own Old Dominion Electric Cooperative, also known as ODEC. Incorporated in 1948, ODEC provides reliable, cost-effective, environmentally balanced wholesale electric service to its member distribution cooperatives (members) in Virginia, Delaware, and Maryland. ODEC is a not-for-profit, tax-exempt generation and transmission cooperative that operates for the benefit of its members that are its owners.

CHOPTANK ELECTRIC COOPERATIVE

BY THE NUMBERS



INCREASING RELIABILITY & YOUR SERVICE

Your Cooperative continues to work hard to deliver reliable, affordable, and safe electricity. With our highly trained operations and engineering team and state-of-the-art grid, we are keeping the lights on for our members 99% of the time.

Choptank Electric Cooperative increases system reliability and safety by investing in capital projects throughout the year. These projects include upgrading substations and overhead power lines, installing fiber optics to our substations and transformers, and ensuring we have clean and accessible right-of-ways through our vegetation management program. All these combined efforts ensure that our members receive reliable, safe, and affordable electricity.

**Data includes the whole year with no major storms. It also includes DPL transmission drops.*

CHOPTANK FIBER, LLC IS A WHOLLY-OWNED BROADBAND SUBSIDIARY OF CHOPTANK ELECTRIC COOPERATIVE.



Choptank Fiber's goal is to install broadband one community at a time and then reinvest the monthly subscription revenue into the expense of infrastructure development in the next community, until we serve the entire rural Shore. As Choptank Fiber becomes profitable, it will pay back the electric ratepayers. So, our electric ratepayers are making a small investment. In the end, we believe it will be a win for the electric co-op member and a win for the Eastern Shore as we take a step to solve the broadband problem.

Choptank Fiber's progress in 2021 has been substantial. On April 15, 2021, we celebrated our first connection with Governor Larry Hogan and other local VIPs. Having secured \$7.6 million so far in grant funding from the state of Maryland, we are expected to connect up to 2,500 locations by 2024.

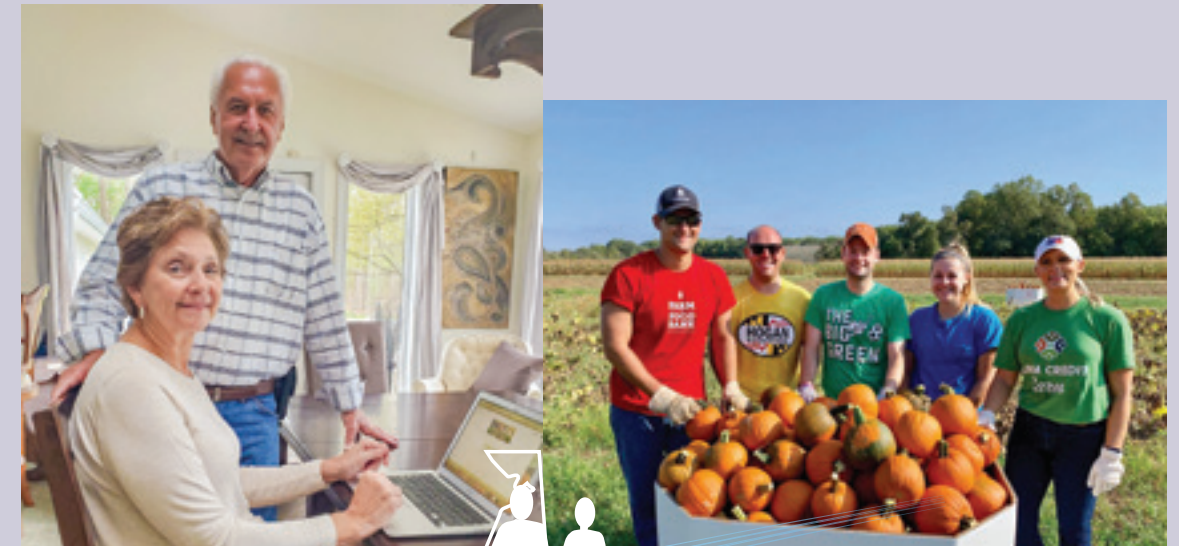
With the help of local county governments, we also completed our Hillsboro and Princess Anne Demonstration projects. In addition to our demo projects, we also installed hundreds of miles of fiber, installed service pedestals, and performed hundreds of splices to open service for almost 500 locations in Queen Anne's, Caroline, Wicomico, Somerset & Worcester Counties – over-performing the targeted build out schedule.

In December, we were able to partner with more local governments in Cecil, Kent, Queen Anne's, Caroline, Dorchester and Somerset Counties on additional grants to be awarded in the Spring of 2022, which will help to construct broadband services for more than 7,000 additional unserved homes and businesses on the Eastern Shore.



CHOPTANK ELECTRIC COOPERATIVE + CHOPTANK FIBER

WORKING TOGETHER FOR YOU



CONSOLIDATED BALANCE SHEETS

ASSETS (What We Own)	<u>2021</u>	<u>2020</u>
Net Utility Plant	\$296,749,362	\$306,606,772
Investments	\$76,017,304	\$70,926,771
Cash	\$15,102,892	\$2,652,547
Accounts & Notes Receivable	\$24,760,966	\$20,640,612
Materials & Supplies	\$9,727,701	\$9,147,143
Other Current Assets	\$2,492,531	\$3,122,364
Deferred Debits	\$8,232,235	\$11,304,852
Total Assets	\$433,082,991	\$424,401,061
LIABILITIES		
Long-Term Debt	\$220,889,835	\$211,077,186
Other Non-Current Liabilities	\$1,058,516	\$691,803
Accounts Payable	\$6,163,962	\$14,066,912
Current Portion of Long-Term Debt	\$10,465,349	\$9,800,070
Other Current & Accrued Liabilities	\$17,448,828	\$10,695,049
Consumer Deposits	\$1,458,888	\$1,782,685
Deferred Credits	\$9,144,458	\$1,737,604
Total Liabilities	\$266,629,836	\$249,851,309
MEMBERS' NET WORTH		
Membership Fees	\$384,455	\$384,455
Accumulated Margins	\$3,873,018	\$20,737,974
Other Equities	\$162,195,682	\$153,427,323
Total Members' Net Worth	\$166,453,155	\$174,549,752
Total Liabilities/Net Worth	\$433,082,991	\$424,401,061

The consolidated financial statements include the financial performance of the Cooperative and its subsidiaries, Choptank Services Corporation (CSC) and Choptank Fiber LLC. CSC owns a 37.54% interest in Mid-Atlantic Cooperative Solutions, Inc. and Choptank Fiber LLC operates as a broadband business on Maryland's Eastern Shore.

CONSOLIDATED STATEMENT OF OPERATIONS

INCOME	<u>2021</u>	<u>2020</u>
Revenue	\$134,724,799	\$134,543,699
EXPENSES		
Purchased Power Cost	\$73,963,170	\$74,787,807
Operations Expense	\$4,787,098	\$4,927,245
Maintenance Expense	\$8,979,493	\$10,302,640
Consumer Account Expense	\$2,102,499	\$3,120,007
Administrative & General Expense	\$10,074,725	\$6,764,049
Depreciation	\$14,921,591	\$14,653,234
Taxes	\$4,468,112	\$4,288,417
Interest Expense	\$8,944,119	\$9,921,020
Other Deductions	\$236,680	\$896,797
Total Expenses	\$128,477,487	\$129,661,216
MARGINS		
Operating Margins	\$6,247,312	\$4,882,483
Non-Operating Margins	\$1,338,851	\$450,816
G & T Capital Credits	\$1,928,297	\$1,170,967
Other Capital Credits/Patronage Dividends	\$977,954	\$915,800
Income Tax Expense - Deferred	\$(361,000)	-
Total Margins	\$10,131,414	\$7,420,066

WINTER	SYSTEM ENERGY PEAKS	SUMMER
January 29, 2021, at 8 AM with 221,236 kW.		August 13, 2021, at 6 PM with 260,533 kW.

REAL ESTATE & PERSONAL PROPERTY TAX

County	<u>2021</u>	County	<u>2021</u>
Caroline	\$882,274	Somerset	\$317,682
Cecil	\$184,708	Talbot	\$436,391
Dorchester	\$604,099	Wicomico	\$609,357
Kent	\$266,523	Worcester	\$659,089
Queen Anne's	\$280,535		
		Total	\$4,240,658

METERS

Residential	49,643
Com. & Ind.	5,591
Primary	26
Irrigation	118
Lighting	221
Total	55,599

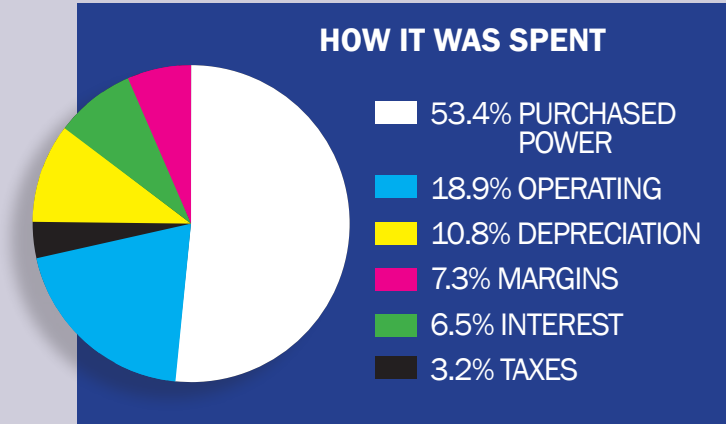
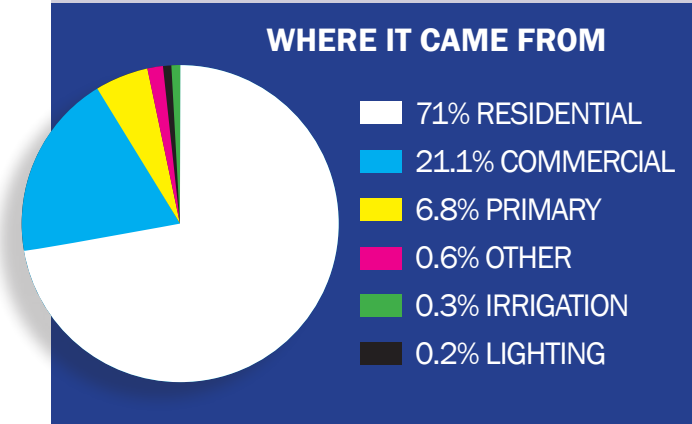
**2021
VEGETATION
MANAGEMENT**

- TRIMMED 322 MILES OF LINE
- MOWED 371 ACRES OF LAND
- REMOVED 2,164 TREES
- SPRAYED 516 ACRES WITH HERBICIDES
- RESPONDED TO 418 MEMBER'S REQUEST FOR SERVICE
- RESTORATION EFFORTS:**
- REPLANTED 103 TREES
- CONVERTED 887 ACRES OF LAND

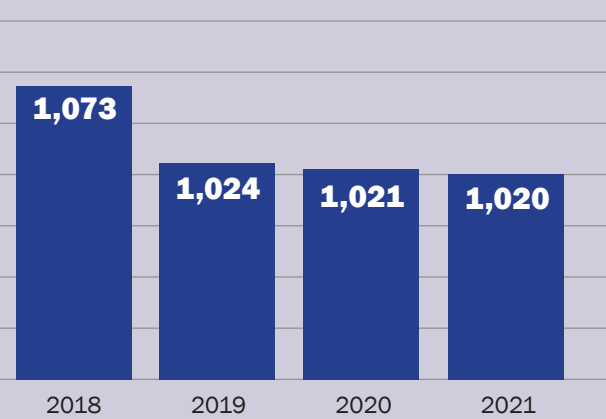
Vegetation Management is another way that we reduce outages and increase service reliability. The primary mission of our program is to enhance reliable service to the Cooperative's members by using proven vegetation management activities such as tree trimming, tree removal, mowing, and herbicide application that conserves the vast natural resources of the Delmarva Peninsula.

Tree trimming and mowing operations have been primarily performed by Asplundh Tree Experts of Willow Grove, Pennsylvania since 2003.

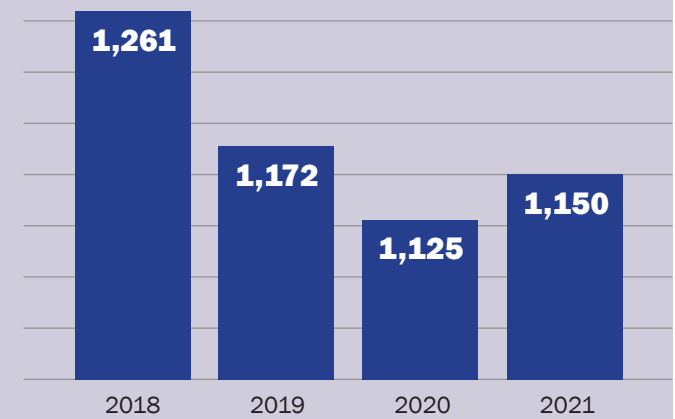
HOW THE COOPERATIVE DOLLAR WAS SPENT



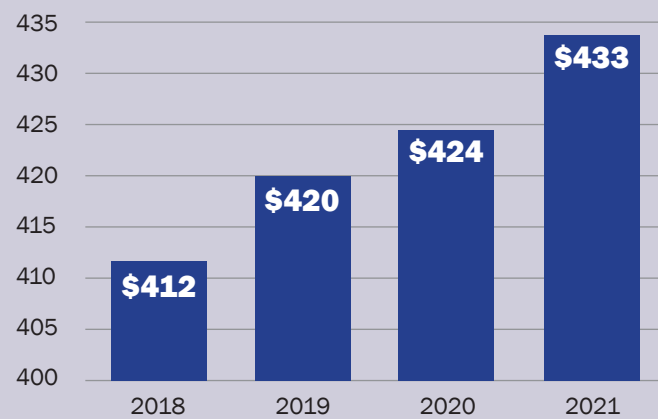
kWh SALES (IN MILLIONS)



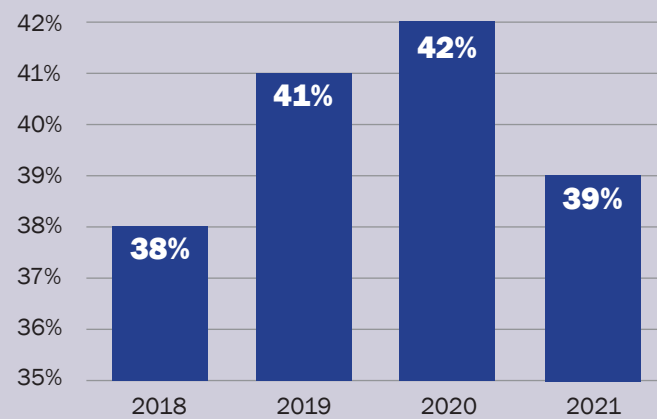
AVERAGE kWh RESIDENTIAL (MONTHLY)



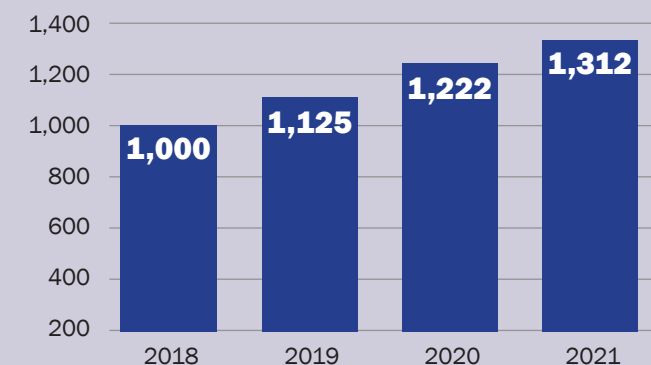
ASSETS (IN MILLIONS)



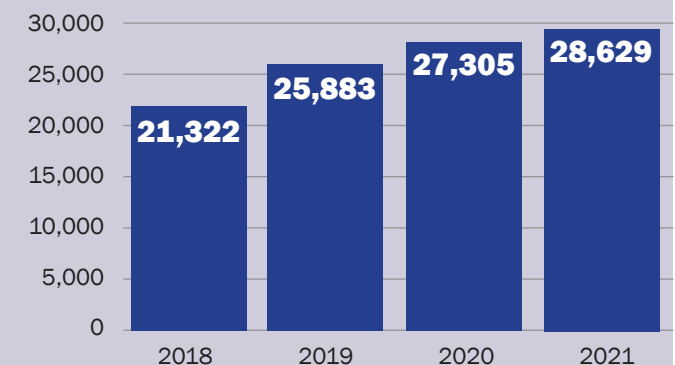
EQUITY AS PERCENTAGE OF ASSETS



NUMBER OF NET METERING ACCOUNTS



NET METERING LOAD ON SYSTEM (kW)



STRENGTH IN THE COOPERATIVE WAY



2021 was full of ups and downs with COVID-19 still prevalent and the vaccine becoming more accessible to the community. That didn't stop the Choptank Electric Trust, which is affiliated with Choptank Electric Cooperative, from stepping up again and making sure that various community institutions were supported while businesses began to re-open their doors.

The Choptank Electric Trust donates to many worthy organizations, charities, and causes throughout the year, but in 2021 one of our community's greatest needs was once again the food banks. Just like in 2020, many people were still without jobs and in need of food. This past year, the Trust donated \$15,000 again to local food pantries across the shore to address the food disparity.

Another worthy cause was the Betterton Beach United Methodist Church which is in desperate need of repairs. Over 100 years old, the church has been a staple in the community. During COVID, they opened their doors to students to do schoolwork who did not have access to reliable internet and held services online and via radio stations. Once they replace the siding, they are looking forward to expanding their good work in the community.

Last, but certainly not least, the Delmarva Discovery Center in Pocomoke City wanted to be a place for people to visit safely during the re-opening after COVID. With the Trust's donations, they were able to supply free entry to their museum for a few days, which increased traffic and let the community know that they were open and ready for business post-pandemic.

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

IN YOUR COMMUNITY



Choptank Electric Cooperative continued to offer all of its scholarship programs to help local students seeking higher education- between the Luck of the Draw Scholarship, Choptank Electric Trust Scholarship, and the VMDAEC Scholarship, over \$30,000 was awarded to deserving students across the shore.

While 2020's Youth Tour was canceled, 2021 afforded Choptank Electric the opportunity to create its own way. With the help of the Virginia, Maryland, & Delaware Association of Electric Cooperatives, the Co-op was able to take four of the previously selected students to Williamsburg, VA for a "Mini" Youth Tour experience where they took private tours of Colonial Williamsburg, visited Jamestown, Busch Gardens, took an evening cruise on the York River, and met with a variety of local legislators from Virginia and Maryland to learn how the government functions at the state level with an emphasis on bipartisanship.

Seeing our members in 2021 was a dream come true! Traveling and supporting local county fairs, festivals, and a variety of other local events, we met with many members to talk about broadband internet and the future of Choptank Electric. Supporting our local schools and fire departments, Choptank Electric also participated once more in its hotline demonstrations and school presentations outside so that we could continue our education programs without compromising the safety of our employees or the students.

While 2021 wasn't the most ideal year, we saw life starting to come back, and we are looking forward to what 2022 has to offer.

For 84 years and counting,
Choptank Electric Cooperative
has brightened your future.

Thank you to our members who make all of this possible!



P.O. Box 430 | Denton, MD | 21629

Toll-Free: 1-877-892-0001

Outage Reporting: 1-800-410-4790

Automated Member Service: 1-866-999-4574

CHOPTANKELECTRIC.COOP | CHOPTANKFIBER.COM