

Choptank Electric Cooperative

| 2020 Annual Report



Choptank Electric
Cooperative



Micheal E. Malandro, PE
President & CEO

Jeffrey D. Rathell Sr.
Chairman of the Board

Dear Members:

Albert Einstein once said that “in the middle of difficulty lies opportunity,” and he could not be closer to the truth. For the Co-op, 2020 began like any other year, but by spring things had changed drastically due to COVID-19. Adapting to the pandemic required many changes on our part: closing our front offices, enabling our workforce to telework whenever possible, and implementing new protocols to safely conduct business with our contractors, fellow employees, and our members. Despite these challenges, our resolve to provide excellent service to our members and our commitment to our communities did not waver.

Choptank Electric Cooperative has been working hard to create a new wholly owned broadband subsidiary, Choptank Fiber, which will provide gigabit-speed service to the underserved members on the Eastern Shore. This new business venture will enhance our members’ lives and bring about a new era of connectivity and opportunity.

Connecting members throughout our territory, enhancing our substations and providing crucial infrastructure upgrades that allows us to deliver high-quality service to our members is our goal. Our 99% reliability rating is a result of investments in smart grid technology and long-term planning.

While reliability is crucial, power outages are inevitable in rural communities. Tropical Storm Isaias swept down on the Eastern Shore in August, leaving destruction in its wake, but we restored power quickly after only a few days and our members were incredibly supportive and understanding of our efforts. We thought the worst of the hurricane season was behind us, but then Hurricane Sally hit Louisiana. In true Cooperative Spirit, we sent 22 linemen for over a week to help restore members at Baldwin EMC where some members had been without power for weeks due to damage.

Following the 7 Cooperative Principles for over 80 years and putting our members above all else is what we do. We always have been and will continue to be committed to our members and the communities we serve.

Micheal E. Malandro
President & CEO



Choptank Electric Leadership



Micheal E. Malandro
President and CEO



Lisa H. DeSantis
Vice President and
Chief Financial Officer



Paula J. Bishop
Vice President of
Human Resources



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



W. Lance Lockerman
Vice President of Operations



Timothy W. McGaha
Vice President of
Technical Services



Leroy D. Sverduk
Vice President of
Engineering



Thomas S. Tyndall
Vice President of
Member Services



Sarah M. Dahl
General Counsel



Jeffrey D. Rathell, Sr.
Board Chairman
Talbot County



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



Robert E. Arnold
Queen Anne's County



Olin S. Davis, III
Kent County



Craig N. Mathies Sr.
Somerset County



Donna R. West
Worcester County



Douglas D. Scott
Secretary-Treasurer,
Dorchester County



Amy I. Brandt
Caroline County



Matthew R. Holloway
Wicomico County



Robert B. Thompson
Ocean Pines District



Justin B. Aronson
Board Attorney

"True leadership lies in guiding others to success. In ensuring that everyone is performing at their best, doing the work they are pledged to do and doing it well. —Bill Owens

Our 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.

“Talbot Substation Sunrise” by Michael Wheatley
Talbot County Member and past President and CEO,
Choptank Electric Cooperative.

Partnerships with Pride



Choptank Electric Cooperative partnered with Touchstone Energy Cooperative many years ago to help boost our brand integrity and recognition.

Touchstone Energy®'s brand represents a nationwide alliance of 751 local, consumer-owned electric cooperatives in 46 states.

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 of ten 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 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-owners.

Increasing Reliability & Your Service

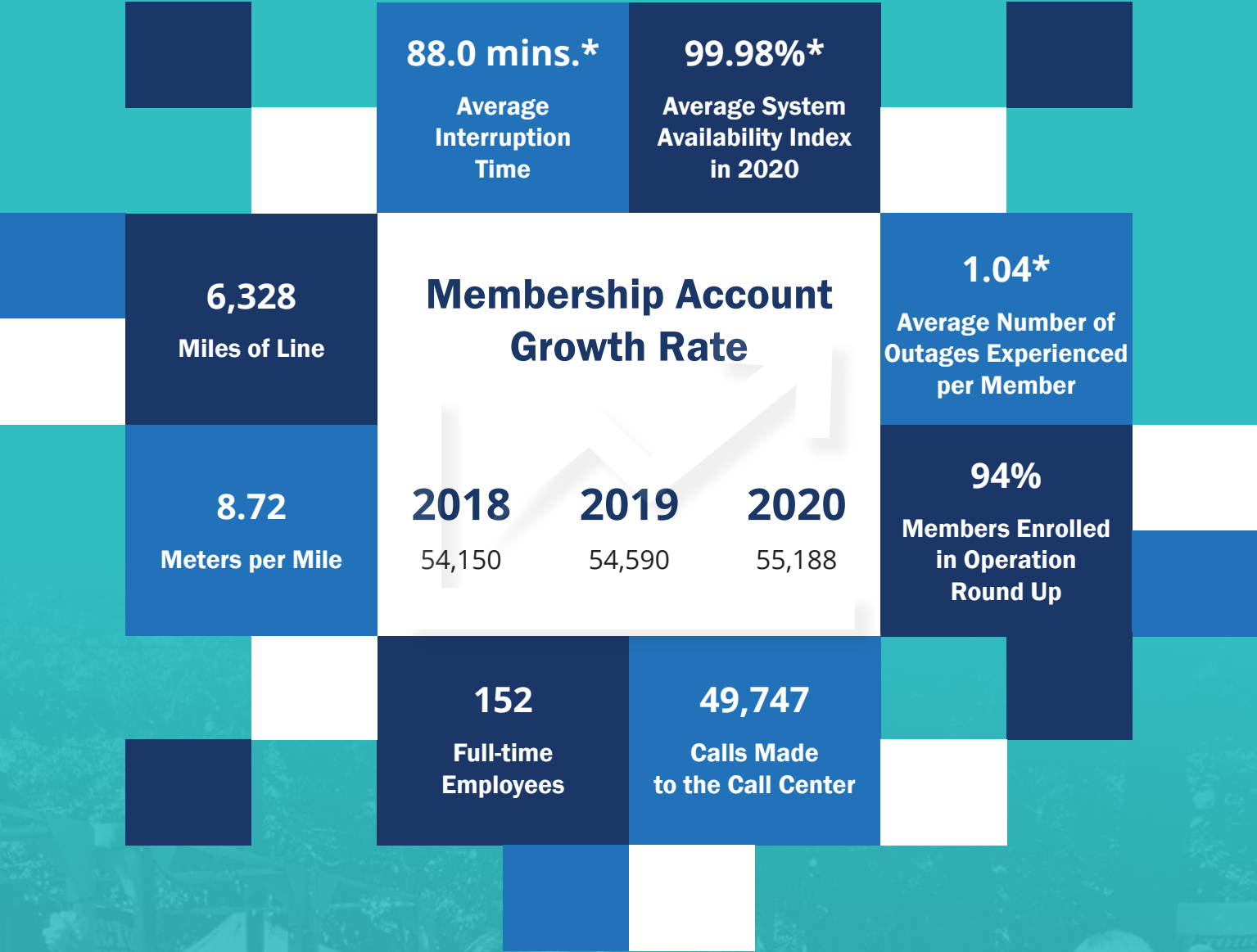
Your Cooperative continues to work hard to deliver reliable, affordable, and safe electricity. With our highly trained operations and engineering team and state-of-the-art grid, we are keeping the lights on for our members 99% of the time.

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.



Choptank Electric Cooperative

By the Numbers



*Data excludes the outages associated with major storms (i.e.: Tropical Storm Isaias).
*This includes Delmarva Power & Light transmission drops.

Co-op Connections

This past year was a great time to take advantage of the Co-op Connections Discount Program since many of these deals are found online, through the app. From shopping to cash back, the Co-op Connections Card does it all to help members save money.

Scan the QR code below to learn more.



Outage Reporting

Members can also now take advantage of our new outage communication service. Text the word "CHOPTANK" to 1-800-410-4790 to sign up!

Scan the QR code below to learn how to use this new feature!



SmartHub Web and App

With over 22,000 subscriptions, SmartHub is our all-in-one online account management system, which gives our members access to a variety of features and tools to help you pay your bill and monitor your Choptank Electric account.

Scan the QR code below code to download!



Choptank Electric Cooperative, Inc.

Statement of Operations

Income

Revenue

2020

2019

\$134,543,699

\$146,220,668

Expenses

Purchased Power Cost

\$74,787,807

\$83,391,325

Operations Expense

\$4,927,245

\$4,425,723

Maintenance Expense

\$10,302,640

\$9,232,918

Consumer Account Expense

\$3,120,007

\$3,170,398

Administrative & General Expense

\$6,728,208

\$9,123,020

Depreciation

\$14,653,234

\$13,884,850

Taxes

\$4,288,417

\$4,104,537

Interest Expense

\$9,889,523

\$10,931,105

Other Deductions

\$896,797

\$204,103

Total Expenses

\$129,593,878

\$138,467,979

Margins

Operating Margins

\$4,949,821

\$7,752,689

Non-Operating Margins

\$395,289

\$573,352

G & T Capital Credits

\$1,170,967

\$1,630,448

Other Cap Credits/Patronage Dividends

\$903,989

\$931,473

Total Margins

\$7,420,066

\$10,887,962

Real Estate & Personal Property Tax

County

2020

Caroline

\$855,000

Cecil

\$179,927

Dorchester

\$585,837

Kent

\$258,858

Queen Anne's

\$257,763

Somerset

\$303,610

Talbot

\$416,477

Wicomico

\$590,789

Worcester

\$635,389

Total

\$4,083,650

Meters

Residential

49,274

Com. & Ind.

5,575

Primary

25

Irrigation

92

Lighting

222

Total:

55,188

System Energy Peaks

Winter: Jan. 23, 2020, at

7:00AM with 209,579 kW.

Summer: July 20, 2020, at

7:00PM with 261,660 kW.

Choptank Electric Cooperative, Inc.

Balance Sheet

Assets (What We Own)

	<u>2020</u>	<u>2019</u>
Net Utility Plant	\$306,606,772	\$313,201,177
Investments	\$71,623,821	\$67,983,539
Cash	\$2,646,733	\$516,949
Accounts & Notes Receivable	\$20,647,016	\$19,588,471
Materials & Supplies	\$9,147,143	\$9,280,897
Other Current Assets	\$3,122,252	\$2,270,408
Deferred Debits	\$11,304,852	\$6,124,936
Total Assets	\$425,098,589	\$418,966,377

Liabilities

Long Term Debt	\$211,077,187	\$207,020,212
Notes Payable	\$7,889,657	\$15,740,946
Accounts Payable	\$9,640,800	\$8,904,609
Consumer Deposits	\$1,782,685	\$2,008,378
Current Maturities Long-Term Debt	\$9,800,070	\$9,268,289
Other Liabilities	\$5,603,573	\$3,805,515
Deferred Credits	\$1,737,605	\$1,234,481
Accumulated Operating Provisions	\$3,017,260	\$508,540
Total Liabilities	\$250,548,837	\$248,490,970

Members' Net Worth

Membership Fees	\$384,455	\$384,455
Accumulated Margins	\$153,822,612	\$151,679,285
Other Equities	\$20,342,685	\$18,411,667
Total Members' Net Worth	\$174,549,752	\$170,475,407
Total Liabilities/Net Worth	\$425,098,589	\$418,966,377

Choptank Services Corporation, Inc.

Balance Sheet and Income Statement

Income Statement

	<u>2020</u>	<u>2019</u>
Expenses		
Interest Expense	\$31,497	\$57,897
Professional Fees	\$8,500	\$8,632
Miscellaneous Expense	\$27,341	\$32,581
Deferred Tax Expense	\$0	\$99,000
Total Expenses	\$67,338	\$198,110
Other Income		
Dividend Income	\$112,606	\$75,071
Patronage Capital – CoBank	\$11,811	\$12,915
Income/Loss Investment Subsidiaries	\$118,780	\$283,107
Other Income	\$5,700	\$5,700
Total Other Income	\$248,897	\$376,793
Net Income	\$181,559	\$178,683

Balance Sheet

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash	\$5,814	\$25,261
Prepaid Office Expense	\$112	\$112
Total Current Assets	\$5,926	\$25,373
Other Assets		
Investment in CoBank	\$1,000	\$1,000
Investment in MACS	\$4,244,194	\$4,250,414
Patronage Capital – CoBank	\$189,926	\$213,538
Net Fixed Assets	\$16,429	\$23,635
Total Other Assets	\$4,451,549	\$4,488,587
Total Assets	\$4,457,475	\$4,513,960
Current Liabilities		
Accrued Year End Expenses	\$8,394	\$3,920
CoBank Line of Credit	\$941,482	\$1,184,000
Total Current Liabilities	\$949,876	\$1,187,920
Non-Current Liabilities		
Deferred Tax Liability	\$359,000	\$359,000
Total Liabilities	\$1,308,876	\$1,546,920
Equity		
Investment from Choptank Electric	\$2,095,000	\$2,095,000
Retained Earnings	\$872,040	\$693,357
Net Income	\$181,559	\$178,683
Total Equity	\$3,148,599	\$2,967,040
Total Liabilities and Equity	\$4,457,475	\$4,513,960

Choptank Services Corporation (CSC) is a wholly-owned subsidiary of the Cooperative which owned a 37.54% interest in Mid-Atlantic Cooperative Solutions, Inc., (MACS) as of December 31, 2020.

Vegetation Management

Vegetation Management is another way that we reduce outages and increase service reliability. The primary mission of our Vegetation Management 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.

In 2020 Asplundh helped us manage our lines by...

Trimming 352 miles of line

Mowing 489 acres of land

Removing 5,003 trees

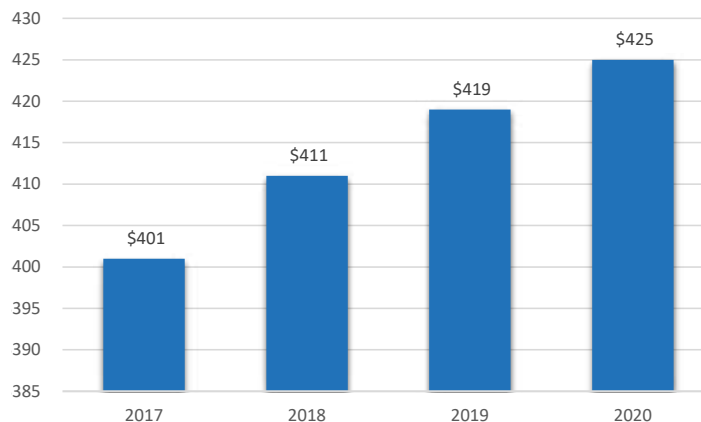
Replanting 187 trees

Responding to 501 requests for service

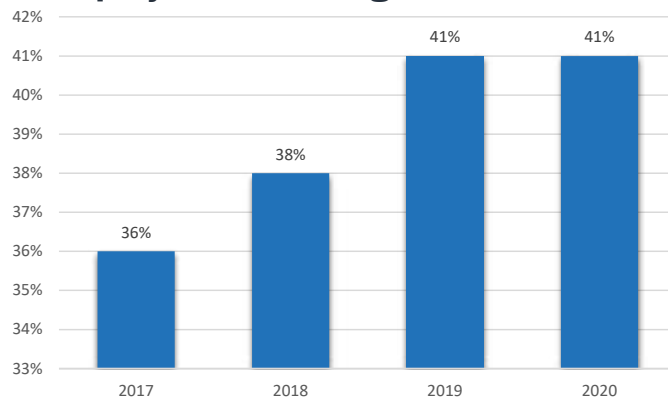
Improved 1,068 acres of land

Choptank Electric Cooperative at a Glance

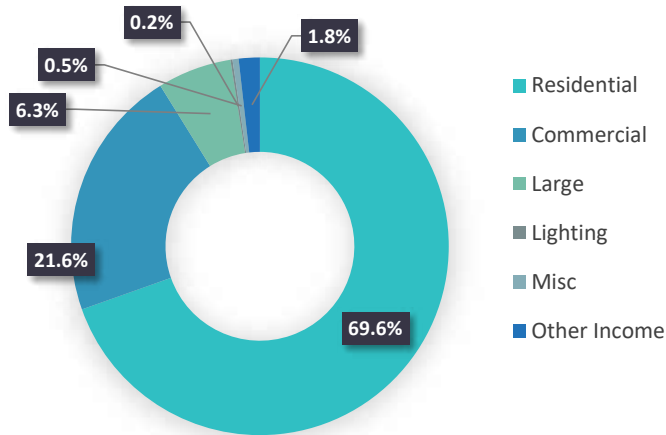
Assets (In Millions)



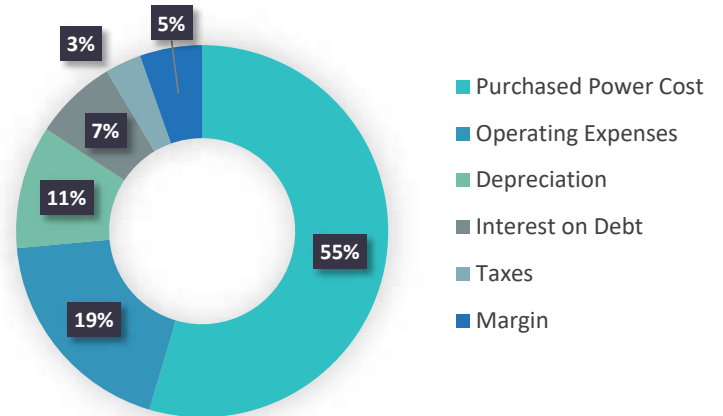
Equity as Percentage of Assets



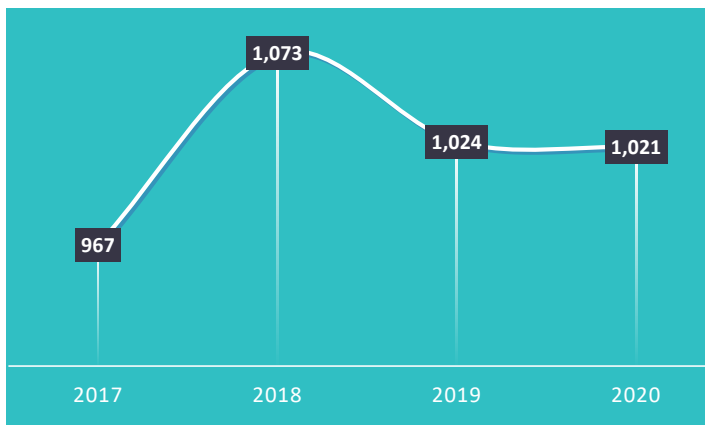
Where It Came From



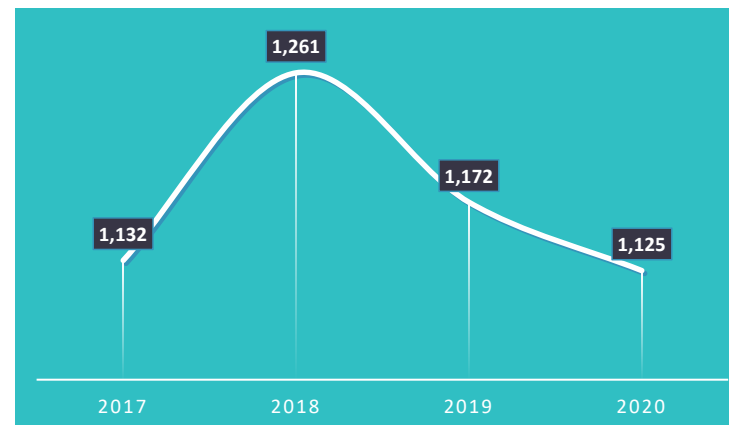
How It Was Spent



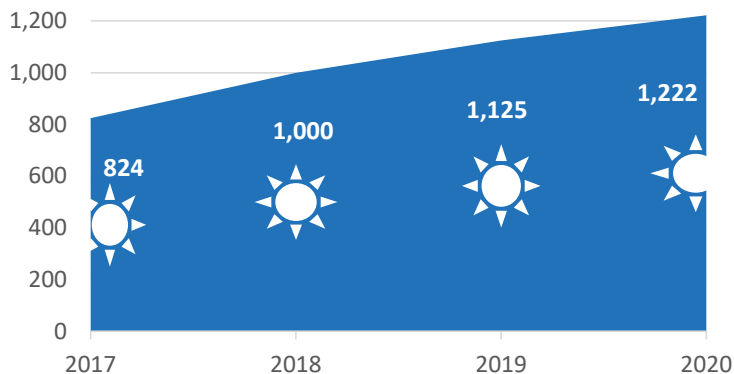
kWh Sales (In Millions)



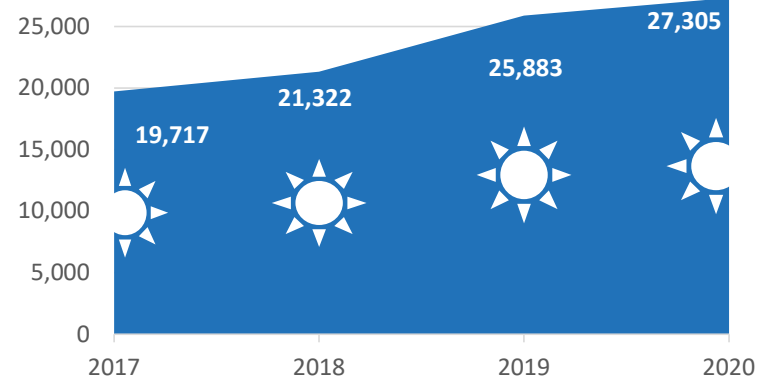
Average kWh Residential (Monthly)



Number of Net Metering Accounts



Net Metering Load on System (kW)



Choptank Electric Cooperative's Response to COVID-19

COVID-19 changed many things, but not our Commitment to Community

COVID-19 affected the world in a way we couldn't have foreseen. And while at the end of 2020 things were not back to normal, a vaccine is now available, and we hope to move forward and end 2021 on a good note.

The Choptank Electric Trust Board



During the height of COVID-19, The Trust Board, which is affiliated with Choptank Electric Cooperative, proactively supported communities all over Maryland's Eastern Shore.

They donated to local food pantries in Kent, Caroline, Talbot, Dorchester, Wicomico, Somerset, and Worcester counties, alongside contributions to private charities like St. Vincent de Paul, and Chesapeake Culinary Center/Friends of the Grape Inc.

The amount of donations for food

support totaled over \$15,000.

Another way that the Choptank Electric Trust committed to help members was by collecting and donating funds to the Choptank Holiday Helpers Campaign, where members, local residents, community organizations, and the Trust raised over \$70,000 to assist members who struggled to pay their electric bills over the holidays due to COVID-19.

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, which is distributed by the Choptank Trust Board.

Member Regulation as a Catalyst for Broadband

Broadband emerged as a critical necessity due to the restrictions brought forth by COVID-19; from teleworking to virtual learning, high speed internet is necessary in a post-pandemic world.

Choptank Electric Cooperative is committed to providing broadband to our members, but first members needed to vote on whether this was

a good use of co-op resources. The "Broadband through Member Regulation" campaign spanned from May until August 13, 2020, culminating in an overwhelming vote of 14,769 in favor versus 345 opposed. Choptank expects this will add efficiency and flexibility to benefit the Cooperative and its members.

While Choptank Electric Cooperative had to close its walk-in offices last year, we continued to offer convenient payment methods such as SmartHub, Automatic Service Line (IVR), and auto pay programs. In addition, we continue to inform our members through our website, social media channels, the Cooperative Living magazine, email newsletter and TV, radio, and newspaper promotions. We are looking forward to opening our doors again soon!



Storms, Scholarships, and COVID Cancellations

Co-op Nation Battled Inclement Weather

As if a pandemic wasn't enough, 2020 featured a destructive hurricane season. Hurricanes devastated the East Coast, taking down thousands of lines and poles, leaving thousands without power for weeks at a time. Choptank Electric Cooperative answered the call to action and sent crews immediately to Baldwin EMC in Summerdale, Alabama for just over a week in September to help restore their members without power after Hurricane Sally destroyed their shores.

Empowering Local Youth

Choptank Electric 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 were awarded to deserving students.

While the Cooperative helped the community during the pandemic in a variety of ways, many of our original outreach programs were canceled. Youth Tour, which has been held for over 50 years in Washington, D.C. through NRECA, was canceled in February 2020 for the first time ever. The students who had already been interviewed and selected were offered the 2021 slots.

Moving Forward

The electrical safety demonstrations, school presentations, fairs and festival participation, and other various donations and traditional sponsorship efforts were also canceled.

The Cooperative was saddened by how little of the membership we could meet in person this past year, but are looking toward 2021, and hope it's a better year to safely interact with our members in person.





“Lineman’s boots”

by Cole Herr, Apprentice Lineman, Chestertown Regional Office.

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



www.choptankelectric.coop

