



Choptank Electric Cooperative

A Touchstone Energy[®] Cooperative 

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Top 30 Questions Asked and Answered during the Regional Forums

Since rates would now be self-regulated by the members, how would we ensure that one class of members (farmers, industrial, residential), will not dominate the rate structure to the detriment of others?

How can we get a breakdown of membership demographics?

Under Member Regulation the philosophy of the cooperative with respect to rates would not change. The business model and philosophy are that we treat all members fairly across the board. One member, one vote.

We do not anticipate that the process to develop rates would change much from the way we develop rates under PSC oversight. In a rate case, under current rules, we do not have to modify all rates at one time. We can choose to modify just the residential rate or just the farm irrigation rate, for instance.

Under Member Regulation, the law requires that members have input and participation in the rate making process. The Board, rather than the PSC, would have oversight and approval authority over rates. But members would be invited to participate in the process.

You would receive notice of a rate change proposal and you would have the opportunity to come to a regional meeting or to the Board meeting where the rate change is discussed and make your case.

Currently, we hire a 3rd party "rate consultant" when analyzing the need for significant rate adjustments. We would continue that process under Member Regulation.

You can find the general member demographics (members per rate class, etc.) in our annual report - which is published on our website under our "About Us" section. You can also find all our current rates on our website.

Choptank stated that becoming Member Regulated would save approximately \$500k per year. Since electric and broadband will be separate companies, will that savings be turned into funds to assist with broadband or savings to electric customers?

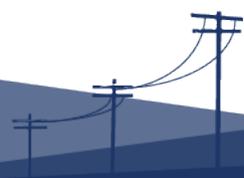
We estimated that number, so it is not exact. A big portion of it is the \$300,000 we paid to the Public Service Commission in 2019 as a fee to regulate us. If we become Member Regulated, we would not have to pay the \$300,000 annually. So that is a big savings. The rest of our estimate is compliance expenses that we would not incur as we do now for data requests, travel back and forth to Baltimore, hiring outside attorneys to present to the PSC, and the like

Lower expenses for the electric business will benefit electric members. The simple formula for returning capital

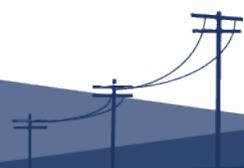
	<p>credits to members is that all revenue generated through rates beyond what it costs to deliver electricity to members is allocated back as capital credits. We cannot and will not raise electric rates to fund the broadband business.</p>
<p>Why is it necessary to change to Member Regulation for Choptank to offer broadband?</p>	<p>We examined all the possible ways to offer Broadband as a cooperative. As we moved through the different options, it became apparent that Member Regulation was the best way to reduce risk to the co-op and to make sure we can offer broadband service in the most economical way to our members. We are trying to achieve economies-of-scale that make it possible for us to go to all areas in the rural region we serve. In the discussion we had and the analysis we conducted, Member Regulation was the best and most comprehensive way for us to provide broadband service to our members.</p>
<p>If vote turns out to be No, will Choptank still offer broadband?</p>	<p>If the vote turns out to be No, there will be a long discussion between our Board and our CEO to determine if there is a path forward.</p> <p>If we thought there was a path forward to offer broadband without becoming Member Regulated and without the bill that passed the General Assembly, we would have pursued that. But all of the analysis we did leading up to this point demonstrated that in order to offer cost-efficient broadband service where we can get to everyone in the rural region using economies-of-scale within the co-op, this is the only solution that will make it viable in the near term.</p> <p>In summary, if the vote turns out to be No, Choptank would probably not offer Broadband service in the near future.</p> <p>We want you to vote, and we want the membership to be engaged. We are confident that the membership is going to vote yes. But we want to see a high turnout so there is no doubt that this is the direction the membership wants to go as we move forward.</p>
<p>How hard is it to vote back to PSC regulation if members are unsatisfied with Member Regulation?</p>	<p>The legislation that passed the MD General Assembly built in a process specifically for this purpose. It allows the Board of Directors to call for a vote or it allows members to collect signatures on a petition to trigger the vote to go back under the PSC if there is dissatisfaction. We will include a link to HB 999 on our website so members can read the full details of that process.</p>



<p>What increased costs do you anticipate from Member Regulation/self-governance? How will you fill new skill gaps?</p>	<p>We are already set up to self-regulate without additional cost. There are over 850 electric cooperatives across the country, and more than 85% operate as member-regulated co-ops. They are formed the same way we are formed. Their Board of Directors are elected the same way ours are elected. They hire the same type of employees to run the business. Under Member Regulation, we would operate very similarly to the way we operate now. One example of a co-op that is member-regulated is Delaware Electric Cooperative.</p> <p>On the electric co-op side, we think costs will decrease. We mentioned the \$300,000 annual assessment to the PSC that would go away. Compliance-related costs, travel to Baltimore and data requests, workgroups with the PSC more targeted towards large utilities - all would be eliminated or reduced. The coop would make an equity investment in the broadband affiliate. But that would not impact electric rates or the capital credits of members.</p>
<p>How will CEC pay for the provision of broadband throughout the area since no electric users will pay for it?</p>	<p>When we create the broadband affiliate, there will be an investment from Choptank, and the affiliate will seek additional funding. We will also pursue grant opportunities from federal, state, and local governments.</p> <p>Our intent is to install broadband in one community and then reinvest the monthly subscription revenue into the expense of infrastructure development in the next community.</p> <p>The financial support from the co-op will be just to get the business up and started through an equity investment and some debt. As the broadband affiliate becomes profitable, it will pay back the electric ratepayers.</p> <p>So, the 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.</p> <p>This is the cooperative model of rural residents joining together to provide a much-needed service. It is being used across the country as many co-ops have begun to offer broadband service to members. We are not using outside investors. Our financial model allows longer payback on investment than a for-profit company. On the electric side, we finance projects over 30 years. On the broadband side, if we plan a 10-year infrastructure development program, that is an acceptable term for us and for our banks.</p>



<p>We have home solar and want to know if this will change our net metering agreement or how our net metering would be impacted.</p>	<p>Short answer - we have no plans to change our net metering program under this initiative.</p> <p>But just like we can under current PSC oversight, we would be able to change our tariffs or agreements over time. So, we are not making a guarantee that nothing will ever change. But a Member-Regulated Cooperative is required to continue to comply with net metering laws. While we would not be subject to PSC regulations on the subject, we would be required to comply with the net metering section of the Maryland Code, as passed or amended by the General Assembly.</p>
<p>The Choptank Board will be taking on many new responsibilities. What changes to the corporate governance structure are planned? How do you ensure that the board, as a group, has the needed skills and independence from staff?</p>	<p>Because it is a democratically-elected Board, the requirements to be a director are basic and are spelled out in our bylaws. A candidate for the Board must be a Choptank Electric member in good standing, cannot be a felon, must have a high school diploma, etc. The bylaws containing the full list of requirements are on our website. Service on the Board is open to any member who meets those requirements and wants to run for election. Seats are for three-year terms.</p> <p>There are a lot of built in protections, training, and resources available to Board members through the National Rural Electric Cooperative Association (NRECA). There is significant training once a member is elected to the Board.</p> <p>Under Member Regulation, CEC would be more transparent with our membership as a substitute for the PSC's oversight. Members would have access to governance policies and the like on our website.</p>
<p>Will there be any other regulatory boards (at the county level, for example) that will have to approve providing broadband service in a specific area?</p>	<p>Broadband is an unregulated service. Broadband, under federal rules, is not subject to franchising agreements or other approvals. To the extent our team needs to obtain permits to do certain right-of-way work, we would work with county officials the same way we work with county officials now when we do the work associated with providing electricity to homes throughout our service area.</p>
<p>Will you make broadband available to all members in all rural areas? What about rural residents who are not Choptank Electric members?</p>	<p>Yes, that is our goal - - to service rural areas, to serve our members. We know we cannot get to all members in the first year, so understand that it is a multi-year plan. But our goal is to make broadband service available to our members, the same way we made electric service available to all our members. At this point we are not ruling out anybody in our customer base for having access to broadband.</p> <p>Our priority will be Choptank members first. But we will not leave other residents behind. If we are coming through a community with Choptank members on one side of the road</p>



	<p>and Delmarva Power customers on the other, and they do not have access to internet service and would like it, we will offer service.</p>
<p>As the Executive Director for Somerset County Economic Development, I want to express a special thank you to Choptank and their team along with our Somerset County Commissioner President Craig Mathies, who also is a Choptank Board Member for all the work in bringing broadband to rural counties. We desperately need this infrastructure to be competitive in retaining and attracting businesses in our respective regions. Choptank has consistently provided electricity over the years and I fully believe that Choptank can add broadband to their portfolio. Please Vote, Thank You!</p> <p>If the August 13th vote goes favorable, when will potential service be available?</p>	<p>Thanks for the comment! The next step is passing this vote. Then, we expect to develop maps for implementation and make those available to members in the December 2020-January 2021 timeframe.</p> <p>We estimate that we can begin connecting members in the summer of 2021 at a rate of approximately 1000 connections per year at first. Then we will ramp up the number of connections per year until all are connected. This is a 10-year project, but we hope to conclude it earlier if more resources become available. It took 20 years to electrify rural America. If we can do broadband in 10, that is a good plan.</p> <p>In some of places we plan to go where no one else will go, so we are cutting down the timeframe from "never" to "10 years." We will be using all the resources that we can cobble together from federal government, state government and local partnerships to expedite delivery and find ways to leverage dollars so we can make this happen as quickly as possible. But we acknowledge that this is an infrastructure project and it will take time to complete.</p>
<p>Will TV/Cable be offered in addition to internet?</p>	<p>We have not developed the package yet. TV is very expensive to offer, particularly in a somewhat declining market for TV. But there are a lot of new streaming technologies that just require internet access. Our primary goal is to get quality, high speed fiber optic broadband out to all our members.</p>
<p>How will broadband physically be deployed (the actual connections, etc.). I live a considerable distance off the road.</p>	<p>At a high level, we are going to follow the power to get to the property. Once there, we will evaluate the most economical way to get from the road to the home. Most will be underground. But each location has its own obstacles, so it will be decided case-by-case.</p>
<p>What technology does Choptank plan to use for the internet service?</p>	<p>We will use fiber optic cable. We will offer speeds of up to a gigabyte. Our service will be symmetrical. The up and down speeds will be the same. We also do not intend to "meter" or place usage restrictions or bandwidth caps on our service.</p> <p>We will not provide "Broadband over Power Lines." That experiment, tried by other providers, proved to be unreliable and resulted in dissatisfaction by users. We are</p>



	<p>not looking to provide “good enough” service. We want to provide quality broadband service you can count on.</p> <p>We will not provide broadband through any of the connections currently related to our smart meters. That signal is not strong enough to carry internet service.</p>
<p>Will the lines be buried or on the power poles?</p>	<p>It will be both. We will follow the power. We will evaluate whether it is most practical to run along our overhead lines on poles or be buried as we move forward throughout our service area.</p>
<p>Will broadband service be optional for each Choptank member? If yes, will the cost of the broadband service be separately itemized on the bill?</p>	<p>Broadband service will be optional. No Choptank Electric member would be required to take broadband service. The two companies would be totally separate companies.</p> <p>If you think about how electric service works, we run the lines out in front of your house. We connect you individually. With Broadband, we will run the service in front of your house. If you do not want service, we will not connect that last piece to your house. But in the future, if you sell your house and the next owner wants broadband, we would be able to connect from the road to the house easily.</p> <p>So, we do not bear the expense of the infrastructure build if you do not want the internet. The beauty of this business model is that it is very incremental. We do not spend the money unless we are going to collect the revenue.</p> <p>Broadband service will be separately billed. Broadband customers will receive a bill from our new broadband affiliate. Electric members will continue to receive a bill in the manner they currently receive it.</p>
<p>How long do you think it will take to complete the roll out of the broadband?</p>	<p>We know we want to start the work immediately after the August 13th vote - if it passes. We will create the affiliate, put the financing in place, and tap into federal, state, and local resources. We believe the first connections will occur in late-spring, early summer of 2021. Our plan is 10 years to offer broadband in all of our electric service territory, and we will try to make that shorter if possible.</p>
<p>What will be the governing factors that determine the broadband rollout prioritization?</p>	<p>This has not yet been determined because there is still a lot to analyze. The most important goal is to serve the unserved. Financing will matter. The ability to add additional crews will be considered. There are a lot of moving parts. We will monetize and reinvest as we go.</p> <p>We will get there as fast as we can. By late December or early January, we hope to have a map to give you a high-level timeframe to know when we will have construction in your area.</p>



<p>Do you see an opportunity to provide a possible redundant path to some of the large local organizations such as Salisbury University., PRMC, UMES, etc.? Many of those organizations only have a single connection path, or poor options for redundancy.</p>	<p>If we are going by your business and you need a redundant connection, we will absolutely offer that connection.</p> <p>We understand the need, on the business side, for redundant paths. We do not have maps or plans yet, but we will work with as many businesses as practical to deliver our Tier 1 resource.</p>
<p>If you can get broadband via cable, will you still be eligible for broadband via Choptank?</p>	<p>Our intent is to make broadband access available to all our members. There are some members who have internet service that meets their current needs. They may not be interested in our broadband service at this time.</p> <p>It will not be mandated that members take broadband service from Choptank. Our intent is to get the broadband backbone close enough to you that, should you change your mind or should the next person who lives at your home want service, it will be accessible.</p>
<p>Will there be financial support for us to help cover the costs of installation? A payment plan?</p>	<p>At this point, we do not know the exact installation cost. But we think we will be competitive. We work for you. This is a member-owned cooperative. Our goal is to provide a service to you that is affordable. We will bring together as many resources as possible to make sure we can get this service to you. With the recent COVID-19 situation, we all know that lack of broadband internet cannot continue. Just know that your concern about cost is at the top of the list of issues we are working to address as we build this company.</p>
<p>In the rural area where I live, I am concerned there will not be much "buy in" to get the line to our property and I will have to carry the burden of that cost. Should I be concerned?</p>	<p>That is what the co-op business model is all about. We got electricity out to your place, and broadband infrastructure does not cost nearly as much. In a for-profit, investor-owned broadband business, they are going to want each customer to "carry their own freight" essentially. In a cooperative, the more densely-populated areas balance out the more rural areas. So, we are confident that in the next 10 years we will be able to get broadband to your residence.</p>
<p>Would the investment from the electric co-op be repaid once the broadband business is up and running or is it simply an investment?</p>	<p>Absolutely. Like any other investment we make, the equity is paid back over time. We hope this will help offset costs on the electric side over time. And we will use the existing workforce. We need a workforce to keep the lights on. With a dual role, the broadband business can help pay some of those expenses.</p>



<p>If I understand correctly, Choptank can provide this service staying under PSC regulation but by choice they would rather not?</p>	<p>Correct. Legally, Choptank Electric Cooperative already has the ability to create a broadband subsidiary.</p> <p>As a practical matter, when we get into the details of the business model - - how the installation of this fiber would occur and how it would be managed - - we believe the PSC regulations pose a risk.</p> <p>To have increased flexibility, maximize economies-of-scale and decrease the risk, we are pursuing Member Regulation.</p>
<p>Do you have a map of where the existing “fiber plant” exists?</p>	<p>We do have a map, but that is not something we can share publicly. This is an electric grid security measure and terrorism precaution. We do not share our exact communications infrastructure because we want to protect our electric grid.</p>
<p>Would there then be an option to expand into other communication services as there are still some areas that do not have reliable satellite or cellular services?</p>	<p>The fiber backbone and infrastructure that we will build is needed for any cellular services – whether adding 5G or getting 4G expanded. In that sense, the building out of our fiber will provide what is needed for cellular infrastructure because cellular runs on fiber after it gets to the tower. Those capabilities and options would be available in the areas where we build out.</p>
<p>Choptank mentioned that 7,000 members must vote, and a majority is needed to pass the vote. Can you share how many “yes” votes have been submitted?</p>	<p>We hope they are all "yes" votes, but we do not have that information. The ballot company is an independent, outside company that issued the ballots and is counting the votes. They will provide us with the Yes/No count the day before or the morning of our August 13th meeting. We will not know any earlier than you do about the outcome. But we urge everyone to vote and to encourage your neighbors to vote. It is important that as many members as possible be heard on this question.</p>
<p>Can we vote online? If so, what is the URL?</p>	<p>Yes, you can - you can go to your SmartHub account and vote through there!</p>
<p>How may we obtain yard signs?</p>	<p>You can email us at broadband@choptankelectric.coop and send us your address and we will make sure you get a sign!</p>

