

Your Source for Power. And Information.



**Choptank Electric
Cooperative**

A Touchstone Energy®
Cooperative



Annual Report 2017

Letter to the Members

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

Choptank Electric Cooperative is more than just an electric utility that our members pay each month. As your local electric cooperative, Choptank Electric is committed to building a strong electrical grid that our members can rely on, and developing strong connections with the local communities we serve.

As your source for power, we work throughout the year improving and maintaining our electric grid so that our members have reliable, affordable, and safe electricity. Through our hard work, we have achieved a 99.98% reliability rating from the Average Service Availability Index (ASAI) in 2017. Providing our members with power they can rely on is at the core of what we do.

As your source for information, and as your trusted energy partner, we are your first stop when it comes to energy efficiency, renewables, and other Co-op information. We provide a wide range of information and services that our members can benefit from for their homes, lives, and communities.

Being a Cooperative means we are local. Our employees serve in their local communities through the Cooperative's community outreach programs such as Youth Tour, Operation Round Up, Choptank Electric Trust Scholarships, Luck of the Draw Scholarships, safety and career school presentations, and the support of our local fairs and festivals.

As a not-for-profit Cooperative, we have member-owners, not customers. When there are margins, they are given back to our members. In 2017, the Board of Directors voted to return \$2.3 million to its long-time members who were part of the co-op in 1992 and 1993.

For over 80 years, Choptank Electric Cooperative has been your source for power and information, and we will continue to be that trusted energy partner for you and your family.



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*

Your Directors and Staff

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



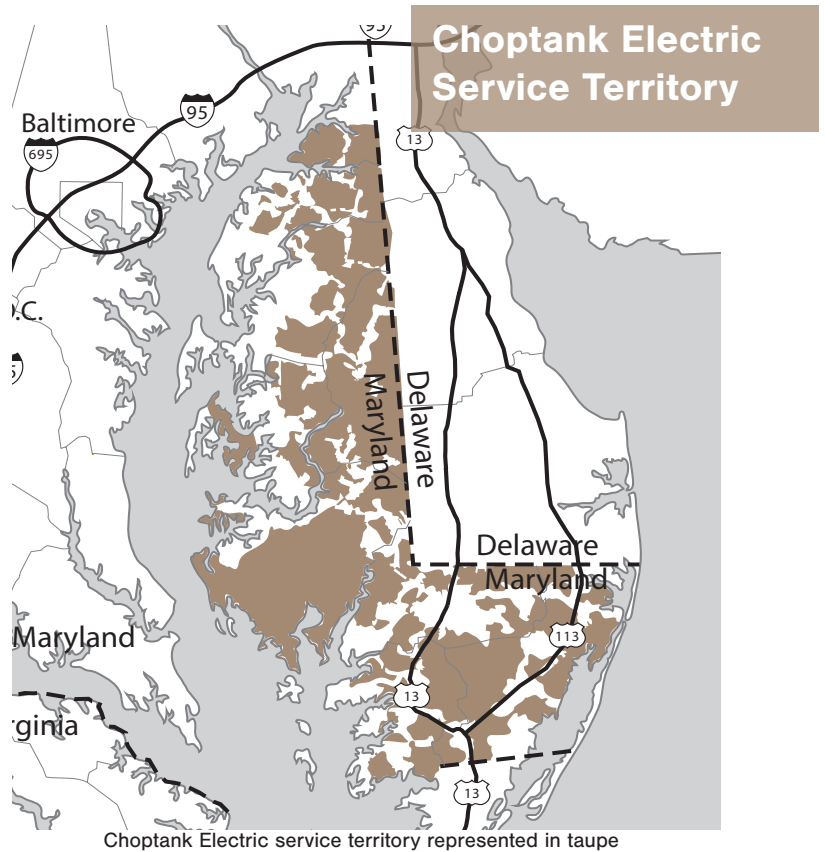
Robert B. Thompson
Ocean Pines District



Douglas D. Scott
Dorchester County



Carl R. Widdowson
Somerset County



Choptank Electric service territory represented in taupe

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



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 2017, they trimmed 866 miles of line, mowed 458 acres of land, removed 5,013 trees, and sprayed ,1000 acres with herbicides . For our restoration efforts, we replanted 289 trees and converted 923 acres of land.

Your Source for Power

As your source for power, we pride ourselves on bringing safe, affordable, and reliable service to our members. Being an electric distribution cooperative, we are constantly upgrading and enhancing our electrical grid so that our members are provided quality service. With all of our advanced technology, such as the installation of advanced meter infrastructure, we can now provide more personalized services and account features for our members through SmartHub.

Throughout the year, your Co-op has capital projects that it works on to increase reliability. These projects include upgrading substations and overhead power lines, installing fiber optics to our substations and transformers, and ensuring we have clean and maintained right-of-way for our lines.

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

99.98%
average system
reliability

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

8.5 meters per
mile of line

6,264 total miles
of line

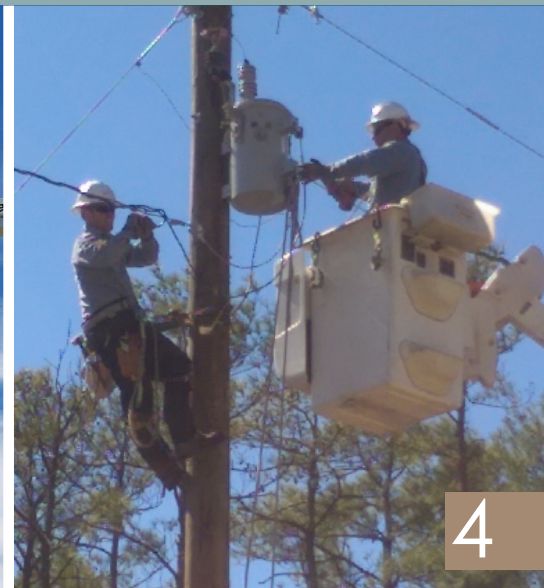
156
full-time employees

62,595
calls were made
to the Member
Service Center

System Energy Peaks

Winter: Jan. 9 at 8AM
with 254,718 kW

Summer: July 13 at 6PM
with 243,397 kW





Your Source for Information

SmartHub is our online bill payment service that enables us to connect with you. It has many convenient features for our members to use including: paying your bills online, going paperless, scheduling payments, getting billing notifications, reporting outag-



es, and you can view your energy usage. SmartHub is available online through the web and for members who are on the go, you can download the SmartHub app on your Android or IOS devices.

With the “view usage” feature, members can see everything from 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.

42% of our members
participate in
SmartHub

93% of our members
participate in
Operation Round Up

Local People Serving the Local Communities

Cooperatives thrive only when their local communities thrive. Choptank Electric and its employees give back to our local communities. We give back to those communities through our Operation Round Up, Youth Tour leadership program, various scholarships, and our community outreach.

In 2004 we 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 that extra change to our program.



That money is then distributed into the local communities by a 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.

Youth Tour is a high school leadership program developed nationally by the NRECA to give students the opportunity to learn about government, history, and to experience Washington, D.C. up close with 1,600 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 the future generation of Co-op members.

At the end of the 2017 Annual Meeting, Choptank Electric Cooperative's Board of Directors gave away ten \$1,000 and one \$2,000 Luck of the Draw scholarships to Co-op members who were attending a higher education institution in the fall of 2017. The scholarship recipients are randomly selected members from a drawing held at the end of the annual meeting.

In addition to the Cooperative programs, we also add value to our communities through other ways such as participating in career days at local elementary, middle, and high schools, and educating students, local community groups, and emergency services personnel about electrical safety through a variety of safety presentations. As your local Cooperative, we donate time and money so that our communities can grow stronger together.



Choptank Electric Cooperative, Inc. Statement of Operations

December 31, 2017 and 2016 (Note: The Statement of Operations for 2017 and 2016 are audited results.)

<u>Income</u>	<u>2017</u>	<u>2016</u>
Revenue	\$122,145,060	\$130,297,520
<u>Expenses</u>		
Purchased Power Cost	\$69,715,322	\$77,695,499
Operations Expense	\$4,284,163	\$3,901,177
Maintenance Expense	\$7,491,836	\$6,789,806
Consumer Account Expense	\$3,688,126	\$4,223,784
Admin & General Expense	\$7,053,099	\$7,564,697
Depreciation	\$13,677,703	\$12,891,202
Taxes	\$3,571,077	\$3,464,921
Interest Expense	\$9,592,590	\$9,376,116
Other Deductions	\$80,685	\$643,065
Total Expenses	\$119,154,601	\$126,550,267
<u>Margins</u>		
Operating Margins	\$2,990,459	\$3,747,253
Non-Operating Margins	\$297,127	\$1,673,680
G & T Capital Credits	\$2,529,688	\$1,642,015
Other Cap Credits/Patronage Dividends	\$915,580	\$860,147
Total Margins	\$6,732,854	\$7,923,095

Real Estate & Personal Property Tax

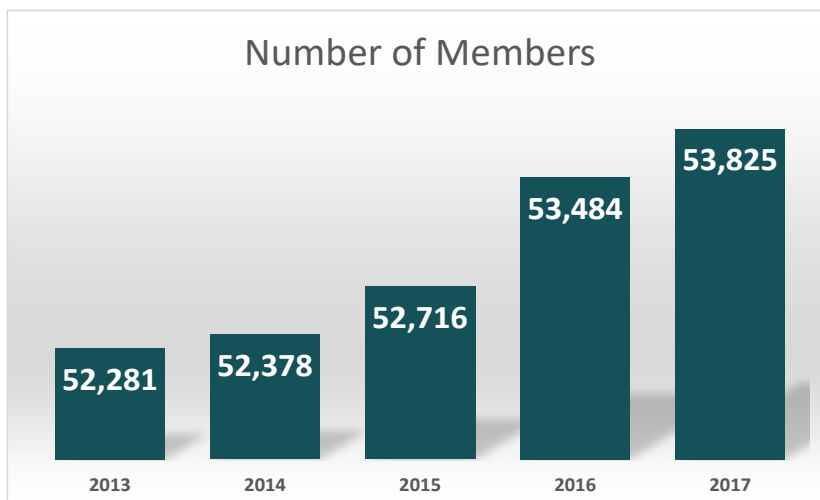
<u>Meters</u>	
Residential	48,414
Com. & Ind.	5,130
Primary	26
Irrigation	30
Lighting	225
Total:	53,825

<u>County</u>	<u>2017</u>
Caroline	\$698,789
Cecil	\$147,332
Dorchester	\$475,351
Kent	\$215,121
Queen Anne's	\$200,099
Somerset	\$253,829
Talbot	\$315,419
Wicomico	\$485,433
Worcester	\$514,124
Total	\$3,305,497

Choptank Electric Cooperative, Inc. Balance Sheet

December 31, 2017 and 2016 (Note: The Balance Sheet for 2017 and 2016 are audited results.)

<u>Assets (What We Own)</u>	<u>2017</u>	<u>2016</u>
Net Utility Plant	\$302,540,320	\$296,046,623
Investments	\$65,073,903	\$64,089,584
Cash	\$288,601	\$82,120
Accounts & Notes Receivable	\$22,031,228	\$8,212,137
Materials & Supplies	\$8,800,159	\$6,327,060
Prepaid Expenses	\$1,895,514	\$1,759,149
Other Current & Accrued Assets	\$17,432	\$14,395
Deferred Debits	\$41,767	\$55,068
Total Assets	\$400,688,924	\$376,586,136
<u>Liabilities</u>		
Long Term Debt	\$211,823,992	\$207,087,289
Notes Payable	\$6,691,660	\$6,830,014
Accounts Payable	\$8,100,101	\$8,669,742
Consumer Deposits	\$2,082,629	\$2,395,120
Current Maturities Long-Term Debt	\$9,744,861	\$8,999,552
Other Liabilities	\$4,922,579	\$3,546,284
Deferred Credits	\$7,587,805	\$2,261,947
Accumulated Operating Provisions	\$4,030,194	\$10,399,330
Total Liabilities	\$254,983,821	\$250,189,278
<u>Members' Net Worth</u>		
Membership Fees	\$384,455	\$384,455
Accumulated Margins	\$134,082,822	\$122,787,318
Other Equities	\$11,237,826	\$3,225,085
Total Members' Net Worth	\$145,705,103	\$126,396,858
Total Liabilities/Net Worth	\$400,688,924	\$376,586,136



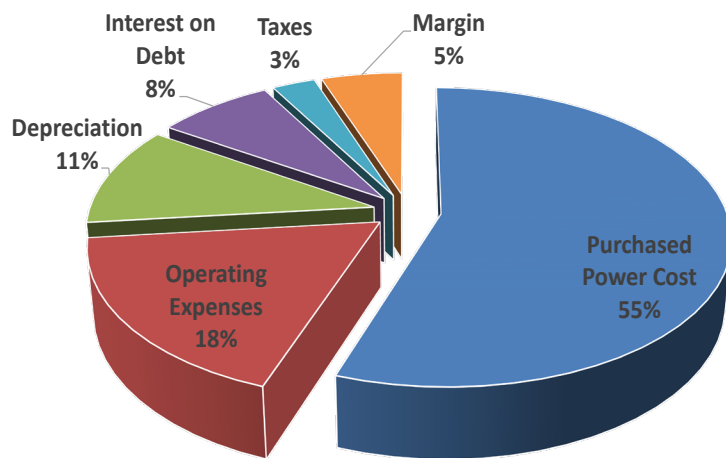
Choptank Services Corporation, Inc. Balance Sheet and Income Statement

December 31, 2017 and 2016 (Note: The Balance Sheet and Income Statement for 2017 and 2016 are audited results.)

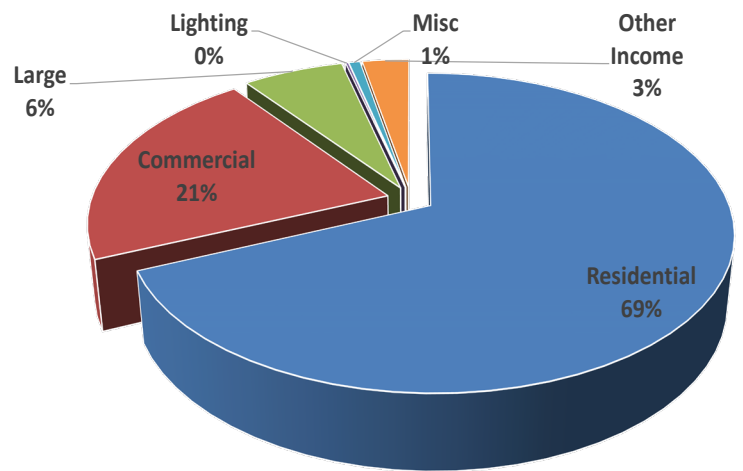
<u>Income Statement</u>	<u>2017</u>	<u>2016</u>
EXPENSES		
Interest Expense	\$57,493	\$53,881
Professional Fees	\$14,811	\$14,697
Miscellaneous Expense	\$14,923	\$19,178
Deferred Tax Expense	\$52,000	\$0
Total Expenses	\$139,227	\$87,756
OTHER INCOME		
Gain – Sale of Stock	\$38,789	\$68,079
Dividend Income	\$99,187	\$102,015
Patronage Capital – CoBank	\$19,562	\$22,652
Income/Loss Investment Subsidiaries	\$134,267	\$394,104
Total Other Income	\$291,805	\$586,850
Net Income	\$152,578	\$499,094

<u>Balance Sheet</u>	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash	\$10,737	\$55,940
Prepaid Office Expense	\$110	\$106
Total Current Assets	\$10,847	\$56,046
OTHER ASSETS		
Investment in CoBank	\$1,000	\$1,000
Investment in MACS	\$3,792,288	\$3,749,232
Patronage Capital – CoBank	\$247,409	\$242,518
Total Other Assets	\$4,040,697	\$3,992,750
Total Assets	\$4,051,544	\$4,048,796
CURRENT LIABILITIES		
Accrued Year End Expenses	\$4,980	\$4,393
CoBank Line of Credit	\$1,620,000	\$1,820,000
Payable to Choptank Electric	\$28	\$2,445
Total Current Liabilities	\$1,625,008	\$1,826,838
NON-CURRENT LIABILITIES		
Deferred Tax Liability	\$52,000	\$0
Total Liabilities	\$1,677,008	\$0
EQUITY		
Investment from Choptank Electric	\$2,095,000	\$2,095,000
Retained Earnings	\$126,958	(\$372,136)
Net Income	\$152,578	\$499,094
Total Equity	\$2,374,536	\$2,221,958
Total Liabilities and Equity	\$4,051,544	\$4,048,796

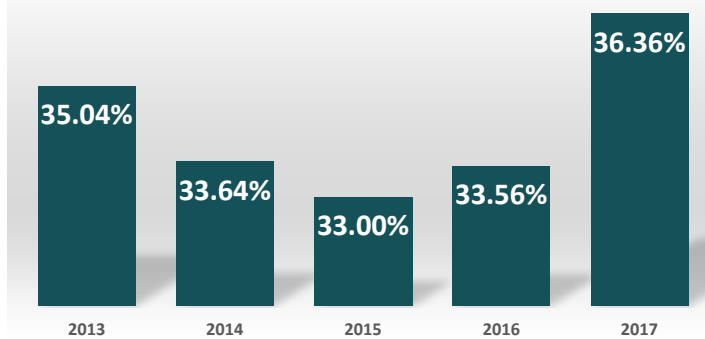
How the Cooperative Dollar Was Spent



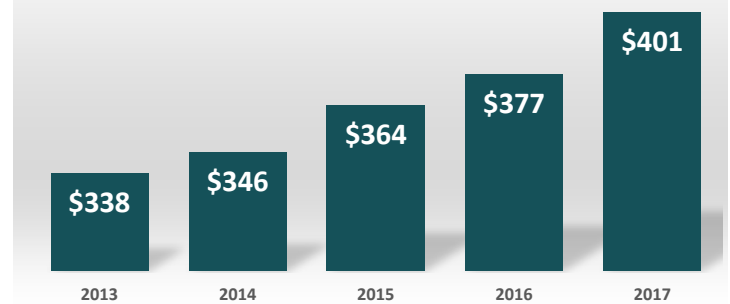
Revenue by Rate Class



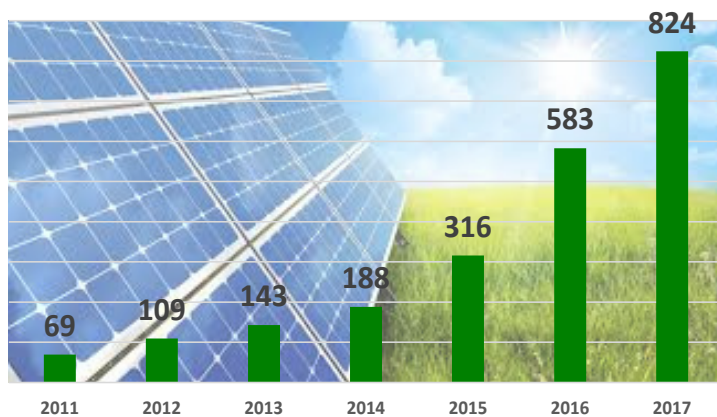
Equity as a % of Assets



Assets (in millions)



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.



Connecting with you

P.O. Box 430 ♦ Denton MD ♦ 21629

www.choptankelectric.coop



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