

Member Regulation and Broadband



Virtual Regional Forums - Zoom Webinar events

June 10 & 11, 2020

Agenda for Meeting

Meeting Topics & Presenters

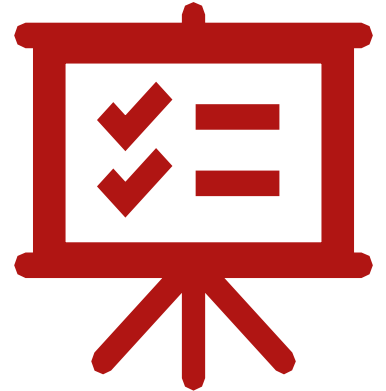
The Goal, the Process & the Vote - Valerie Connelly, VP of Government Affairs & PR

Success in Annapolis - Matt Tefteau, Manager of Government Affairs

Changes in the Regulatory Realm - Sarah Dahl, General Counsel

Next Steps, Q&A & Comments – Valerie Connelly

Q&A - *Send in your questions as we go & we will read and answer them after the slides are presented*



“Vote Yes” for Broadband through Member Regulation started May 15th



Choptank Members will receive ballots by mail



Members will be able to vote by mail, online or in person



Radio, TV and Print ads will run from May 15th – August 13th

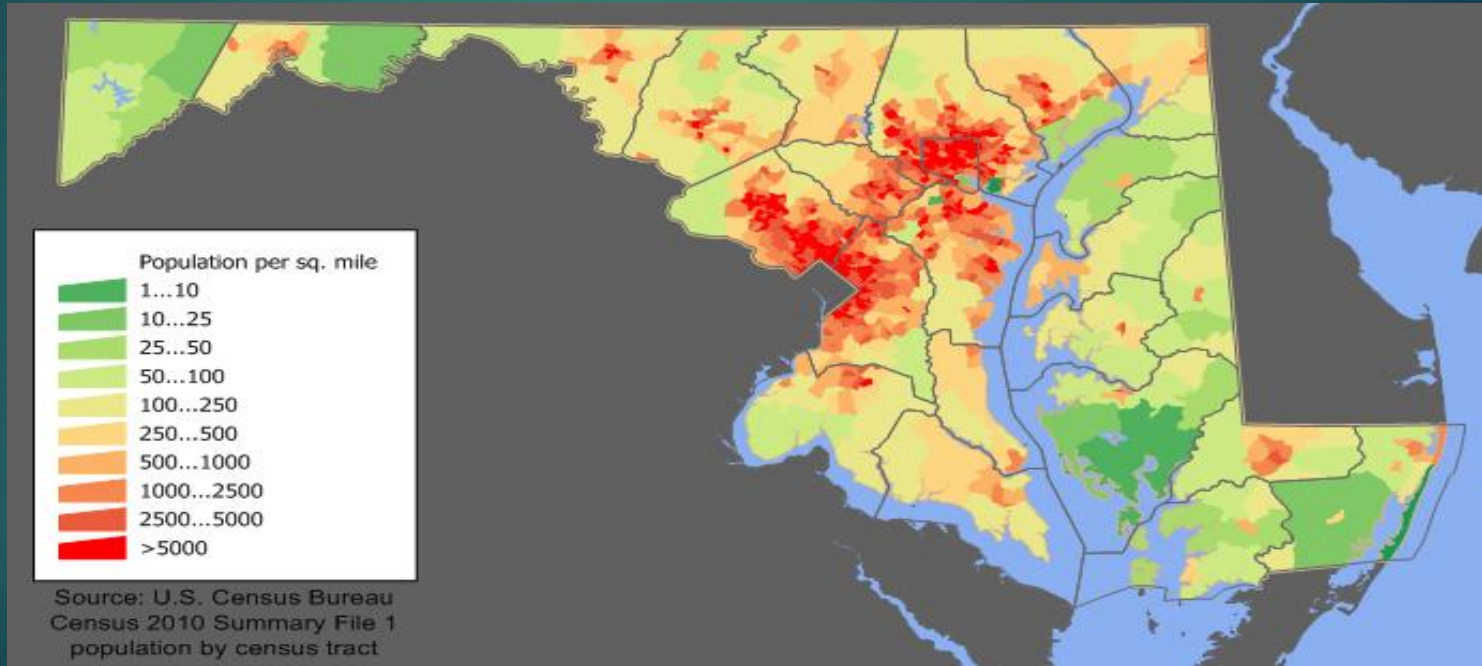


Yard signs and Tri-fold brochures supporting the campaign are available to members and staff



Just as the Great Depression made clear to all that electricity was the ‘next greatest thing’ in the 20th century, the coronavirus pandemic is making clear to all that broadband is the ‘next **next** greatest thing’ in the 21st century. Just as the Rural Electrification Act made electricity accessible and affordable to all Americans, the **Rural Broadband for the Eastern Shore Act of 2020** will make broadband accessible here.

Goal: Bring high-speed internet to the Eastern Shore



SUCCESS WAS A SHORE-WIDE COMMUNITY EFFORT

Sponsored by all 16 Members of the Eastern Shore Delegation – and led by Speaker Pro Tem Delegate Sheree Sample-Hughes & Senator Steve Hershey

44 Organizations testified with oral or written support including:

- County Councils, Commissioners & Executives
- Economic Development offices & regional councils
- Hospitals & Health Associations
- Chambers of Commerce
- Superintendents of Schools
- Colleges
- Libraries
- Realtors
- Farmers
- Parents, Teachers, Homeowners, Small Businesses & more



C5, C1

SENATE BILL 540

By: **Senators Hershey, Carozza, Eckardt, and Gallion**
Introduced and read first time: January 30, 2020
Assigned to: Finance

0lr0813
CF 0lr1757

C5, C1

HOUSE BILL 999

**EMERGENCY BILL
ENROLLED BILL**

(0lr1757)

— *Economic Matters / Finance* —
Introduced by **Delegates Sample-Hughes, Adams, Anderton, Arentz, Ghrist,
Griffith, Hartman, Hornberger, Jacobs, Mautz, McKay, Otto, and Reilly**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

_____ sealed with the Great Seal and presented to the Governor, for his approval this
_____ day of _____ at _____ o'clock, _____ M.

Speaker.

CT concerning

CHAPTER _____

Member-Regulated Cooperatives - Establishment (Rural Broadband for the Eastern Shore Act of 2020)

the purpose of establishing a process for an electric cooperative to operate as a
member-regulated cooperative in a certain area; requiring a cooperative to
directors to hold a certain meeting and certain
and certain information to the

**HB 999 passed both
Chambers of the
Maryland General
Assembly unanimously
on March 18th and
became effective on
May 7th**



What does the new law do?

- ▶ In the Electric Cooperative Act, a new category of “Member-Regulated Cooperative” has been created
- ▶ Limited to the Eastern Shore, i.e. Choptank Electric
- ▶ Member-Regulated Co-op would remain subject to:
 - ▶ Franchise/territorial boundaries
 - ▶ Customer Choice
 - ▶ Universal Service Program (low-income assistance and protections)
 - ▶ Renewable Portfolio Standard (RPS)
 - ▶ Codified aspects of Net Metering
 - ▶ Various other sections of the Public Utilities Article
 - ▶ All of the Electric Cooperative Act
- ▶ Member-Regulated Co-op would not be subject to PSC regulation of rates

Why leave the PSC?

- Eliminate duplicative and costly regulation - as much as \$500,000 per year saved by the Co-op
- Return local control to the Cooperative
- Give the Board of Directors the flexibility to deliver services important to members, like broadband, using economies-of-scale
- Give the Board of Directors - with member input – the ability to create rates that benefit members (time of use rates, irrigation rates)



How are members protected?

There are provisions in the bill and in the co-op model that protect members as we develop a Broadband affiliate.

- ▶ No Cross-subsidization
- ▶ Member input in Rates
- ▶ Risk Management by the Board



No Cross-subsidization

- ▶ The Board would be required to adopt an allocation method to protect customers from cross-subsidization.
- ▶ In 2019, proper allocation was mandated:
 - ▶ **SB 634: (C) To ensure that electric customers do not subsidize the cost of broadband services, an electric cooperative shall allocate properly all costs incurred under subsection (a)(12) of this section between electricity-related services and broadband services.**



Choptank rates are set based on members' interests

- ▶ No shareholder-customer distinction
- ▶ Not-for-profit model, in which any excess revenue is returned to the members (capital credits)
- ▶ Democratically-elected Board
 - ▶ No proxy voting
 - ▶ Simple process to get on the ballot
 - ▶ No Board nominating committee
 - ▶ 5 candidates for last year's Caroline County seat
- ▶ The law has a provision for members voting to return to PSC regulation
- ▶ The law requires member notification, meetings & participation before any rate action can be taken – increases or decreases in rates

Not "rigged" in favor of Board's selection

Managing the Risk for the Co-op

- ▶ The electric co-op would likely make an equity investment in the broadband subsidiary, just as it has made other investments over the years
- ▶ Choptank Electric's Board has successfully managed the co-op for 80+ years
- ▶ We have not heard this concern from any of our member outreach efforts



NEXT STEPS.....

- ▶ To become member regulated, Choptank Electric Cooperative must hold a vote of our members.
- ▶ At least 15% of members must participate in the vote.
- ▶ A majority of those who participate must vote “yes.”
- ▶ The member vote runs from May 15th through August 13th
- ▶ We must also hold at least 2 regional forums for members during that timeframe
 - ▶ Wednesday, June 10th – 7:00pm – 8:30pm on Zoom Webinar
 - ▶ Thursday, June 11th – 7:00pm – 8:30pm on Zoom Webinar

What Can Members do to support?



URGE ALL
COOPERATIVE
MEMBERS TO
CAST THEIR VOTE
-WE NEED 15%
PARTICIPATION



PLACE A "VOTE
YES" SIGN IN
YOUR YARD



SHARE THE TRI-
FOLD
BROCHURES FOR
QUESTIONS



USE THE
BROADBAND TAB
ON THE CEC
WEBSITE – SEE THE
FAQS



URGE FRIENDS TO
REGISTER ON THE
SURVEY MAP



FORWARD
QUESTIONS

Broadband Deployment Map



Power the Change with Choptank Electric



VOTE YES
FOR BROADBAND
THROUGH MEMBER REGULATION

Your Vote. Your Co-op. Your Broadband.

For Updates, FAQs and to
take our Broadband Survey
visit:

www.choptankelectric.com

Questions?