

Your Co-op. **Serves You.**



**CHOPTANK ELECTRIC
COOPERATIVE**
2019 Annual Report



**Choptank Electric
Cooperative**

A Touchstone Energy®
Cooperative 



Micheal E. Malandro, PE
President & CEO

Jeffrey D. Rathell
Chairman | Talbot County

“The most dangerous phrase in our language is ‘We’ve always done it this way.’”

Rear Admiral Grace Hopper

Dear Members:

Change is inevitable. We have been in business serving our membership for over 80 years. We have seen significant change in that time, from the proliferation of air conditioning, to Alexa talking to us in our homes. I believe the Cooperative must change to keep up with our members and the way you live your lives. Being hired as the new President and CEO in April 2019 was an inevitable change for the Co-op. With this change, comes new bold opportunities for our business to expand for our members. Anticipating what our members need from us, and providing that, is our end-goal. Now is the time for your Co-op to play an active role in serving you when you need us most with broadband.

Broadband today is what rural electrification was for our communities over 80 years ago. Choptank Electric Cooperative wants to bring this service to our communities so we can improve the quality of

your lives with telemedicine, online learning opportunities for all ages, increased productivity for local businesses, higher home values, and consumer savings through access to more products from competitive online sellers.

Many changes happened at Choptank Electric this past year, we have assembled a talented executive team, combined with our dedicated employees to examine all aspects of service to you our membership to deliver best in class service. Under the leadership of your Board of Directors we have positioned ourselves to look into the future with bright eyes and see new possibilities for how the Co-op can play an even bigger role in our communities and your lives.

We pledge our dedication to provide best in class service, reliability, broadband, affordable rates, commitment to serve our communities, and much more.

Micheal E. Malandro
President & CEO



Choptank Electric Leadership

Board of Directors



Jeffrey D. Rathell, Sr.
Chairman,
Talbot County



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



Douglas D. Scott
Secretary-Treasurer,
Dorchester County



Robert E. Arnold
Queen Anne's County



Amy I. Brandt
Caroline County



Olin S. Davis, III
Kent County



Matthew R. Holloway
Wicomico County



Craig N. Mathies Sr.
Somerset County



Robert B. Thompson
Ocean Pines District



Donna R. West
Worcester County

Executive Staff



Micheal E. Malandro
President and CEO



Paula J. Bishop
Vice President of
Human Resources



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



Lisa H. DeSantis
Vice President and
Chief Financial Officer



W. Lance Lockerman
Vice President of
Operations



Timothy W. McGaha
Vice President of
Technical Services



Leroy D. Sverduk
Vice President of
Engineering



Sarah M. Dahl
General Counsel

“The secret to change is to focus
all of your energy not on fighting
the old, but on building the new.”
- Socrates

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 Seven Cooperative Principles.



Partnerships with Pride



Choptank Electric Cooperative partnered with Touchstone Energy Cooperative many years ago to help boost our integrity and brand as a cooperative, which brings better services to our members like the Co-op Connections Card, energy efficiency, renewable energy information, and more.



Choptank Electric Cooperative and its members are one of ten distribution cooperatives that own Old Dominion Electric Cooperative, also known as ODEC. ODEC is a not-for-profit, tax-exempt generation and transmission cooperative that operates for the benefit of its members that are its owners.

Working for Our Members

Using the Latest Technology

Your Cooperative always works hard to bring reliable, affordable, and safe electricity to our members. With our advanced system and our state-of-the-art grid, we are keeping the lights on for our members 99% of the time. We achieved a 99.96% reliability rating from the Average System Availability Index in 2019.

Your Co-op increases reliability and safety by investing in maintenance and capital projects throughout the year. These projects include system upgrades in our substations, overhead and underground power lines, installation and utilization of fiber optics, and the clearing of right-of-ways through our vegetation management program.

All these combined efforts ensure that our members are provided with reliable, safe, and affordable electricity.



Choptank Electric Cooperative

By the Numbers

197.6 mins.

Average Interruption Time

99.96%

Average System
Availability Index in 2019

1.64

Average Number of
Outages Experienced per
Member per Year

59,970

Calls Made to Call Center

163

Full-time Employees

6,311

Miles of Line

8.62

Meters per Mile

Working for Our Members | Operations

Project highlights from 2019 include rebuilding the IB Corners substation to allow for additional load growth and tie lines between substations in the Chestertown area; converting single-phase overhead lines to three-phase underground lines on Big Stone Road near Millington to reduce the number of storm-related outages due to tree damage; building a sub-transmission line from Oil City to Hobbs in the Denton area to provide for a more reliable feed for our Williston Substation as well as the Denton Industrial Park and Plaza area. Finally, installing additional fiber optic cable to enhance communications for our smart devices and data collection.



Vegetation Management

In addition to completing long-term capital projects to upgrade equipment and reliability, we also take other steps to reduce outages and secure reliability for our members. Vegetation Management is another way that we accomplish this goal. The primary 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 found throughout our service territory.

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

In 2019, we trimmed 568 miles of line, mowed 601 acres of land, removed 6,211 trees, sprayed 536 acres

with herbicides, and responded to 402 member requests for service. As part of our restoration efforts, we have replanted 237 trees and transformed 1,157 acres of unmanaged lands into managed lands through reclamation activities.



Choptank Electric replanted 237 trees in 2019.

Choptank Electric Cooperative, Inc.

Statement of Operations

Income

Revenue

2019

\$146,220,668

2018

\$146,083,381

Expenses

Purchased Power Cost

\$83,391,325

\$82,978,064

Operations Expense

\$4,425,723

\$4,103,067

Maintenance Expense

\$9,232,918

\$9,031,606

Consumer Account Expense

\$3,170,398

\$3,255,630

Administrative & General Expense

\$9,123,020

\$7,743,297

Depreciation

\$13,884,850

\$13,871,318

Taxes

\$4,104,537

\$3,560,428

Interest Expense

\$10,931,105

\$10,323,498

Other Deductions

\$204,103

\$74,270

Total Expenses

\$138,467,979

\$134,941,178

Margins

Operating Margins

\$7,752,689

\$11,142,203

Non-Operating Margins

\$573,352

\$701,703

G & T Capital Credits

\$1,630,448

\$1,264,630

Other Cap Credits/Patronage Dividends

\$931,473

\$879,476

Total Margins

\$10,887,962

\$13,988,012

Real Estate & Personal Property Tax

County

2019

Caroline

\$757,953

Cecil

\$159,590

Dorchester

\$515,277

Kent

\$439,012

Queen Anne's

\$224,242

Somerset

\$270,199

Talbot

\$368,712

Wicomico

\$511,970

Worcester

\$556,958

Total

\$3,803,913

Meters

Residential

48,687

Com. & Ind.

5,583

Primary

25

Irrigation

71

Lighting

224

Total:

54,590

System Energy Peaks

Winter: Jan. 31 at 8:00AM

with 274,712 kW.

Summer: July 21 at 6:00PM

with 267,604 kW.

Choptank Electric Cooperative, Inc.

Balance Sheet

Assets (What We Own)

	<u>2019</u>	<u>2018</u>
Net Utility Plant	\$313,201,177	\$311,817,209
Investments	\$67,983,539	\$67,158,466
Cash	\$516,949	\$518,266
Accounts & Notes Receivable	\$19,588,471	\$19,844,543
Materials & Supplies	\$9,280,897	\$9,386,521
Prepaid Expenses	\$2,253,091	\$2,331,153
Other Current & Accrued Assets	\$17,317	\$26,146
Deferred Debits	\$6,124,936	\$9,909
Total Assets	\$418,966,377	\$411,092,213

Liabilities

Long Term Debt	\$207,020,212	\$216,031,796
Notes Payable	\$15,740,946	\$6,856,737
Accounts Payable	\$8,904,609	\$9,060,866
Consumer Deposits	\$2,008,378	\$1,972,864
Current Maturities Long-Term Debt	\$9,268,289	\$9,350,938
Other Liabilities	\$3,805,515	\$5,817,090
Deferred Credits	\$1,234,481	\$4,001,192
Accumulated Operating Provisions	\$508,540	\$2,074,412
Total Liabilities	\$248,490,970	\$255,165,895

Members' Net Worth

Membership Fees	\$384,455	\$384,455
Accumulated Margins	\$151,679,285	\$142,657,610
Other Equities	\$18,411,667	\$12,884,253
Total Members' Net Worth	\$170,475,407	\$155,926,318
Total Liabilities/Net Worth	\$418,966,377	\$411,092,213

Choptank Services Corporation, Inc.

Balance Sheet and Income Statement

Income Statement

	<u>2019</u>	<u>2018</u>
Expenses		
Interest Expense	\$57,897	\$67,297
Professional Fees	\$8,632	\$16,579
Miscellaneous Expense	\$32,581	\$16,913
Deferred Tax Expense	\$99,000	\$208,000
Total Expenses	\$198,110	\$308,789
Other Income		
Gain – Sale of Stock	\$0	\$64,525
Dividend Income	\$75,071	\$155,094
Patronage Capital – CoBank	\$12,915	\$20,172
Income/Loss Investment Subsidiaries	\$283,107	\$474,543
Other Income	\$5,700	\$8,275
Total Other Income	\$376,793	\$722,609
Net Income	\$178,683	\$413,820

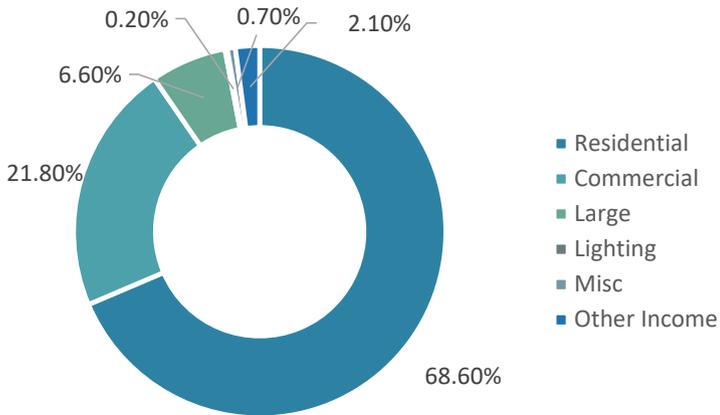
Balance Sheet

	<u>2019</u>	<u>2018</u>
Current Assets		
Cash	\$25,261	\$12,392
Prepaid Office Expense	\$112	\$112
Total Current Assets	\$25,373	\$12,504
Other Assets		
Investment in CoBank	\$1,000	\$1,000
Investment in MACS	\$4,250,414	\$4,131,357
Patronage Capital – CoBank	\$213,538	\$236,972
Net Fixed Assets	\$23,635	\$30,840
Total Other Assets	\$4,488,587	\$4,400,169
Total Assets	\$4,513,960	\$4,412,673
Current Liabilities		
Accrued Year End Expenses	\$3,920	\$5,316
CoBank Line of Credit	\$1,184,000	\$1,359,000
Total Current Liabilities	\$1,187,920	\$1,364,316
Non-Current Liabilities		
Deferred Tax Liability	\$359,000	\$260,000
Total Liabilities	\$1,546,920	\$1,624,316
Equity		
Investment from Choptank Electric	\$2,095,000	\$2,095,000
Retained Earnings	\$693,357	\$279,537
Net Income	\$178,683	\$413,820
Total Equity	\$2,967,040	\$2,788,357
Total Liabilities and Equity	\$4,513,960	\$4,412,673

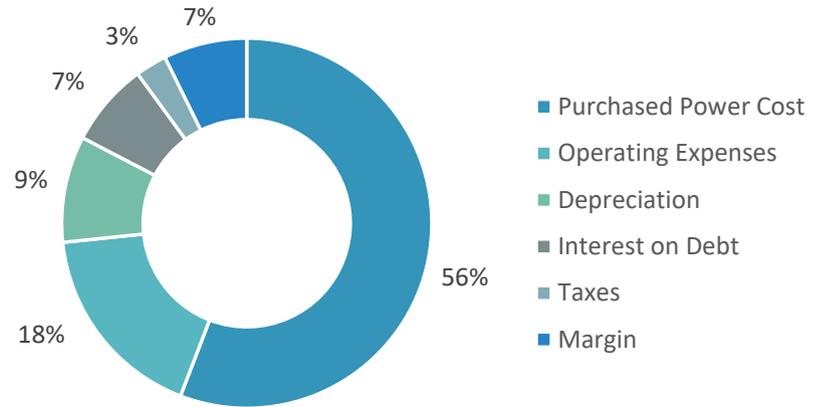
Choptank Services Corporation (CSC) is a wholly-owned subsidiary of the Cooperative which owned a 37.54% interest in Mid-Atlantic Cooperative Solutions, Inc., (MACS) as of December 31, 2019.

How the Cooperative Dollar Was Spent

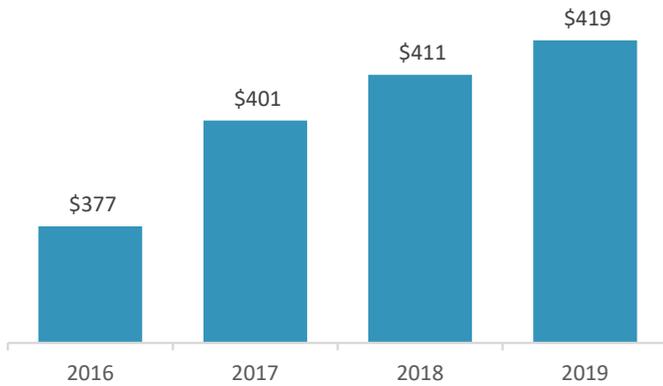
Where It Came From



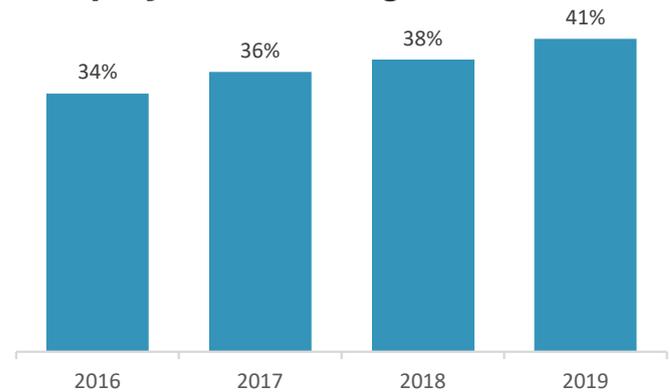
How It Was Spent



Assets (In Millions)



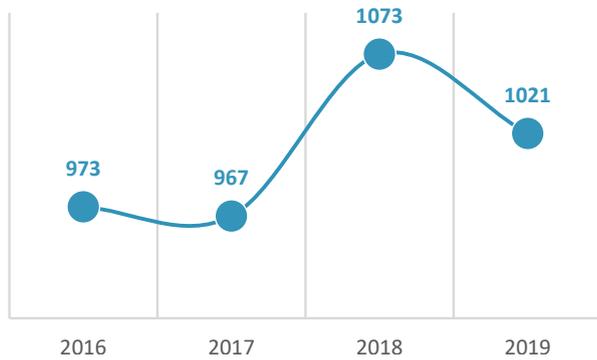
Equity as Percentage of Assets



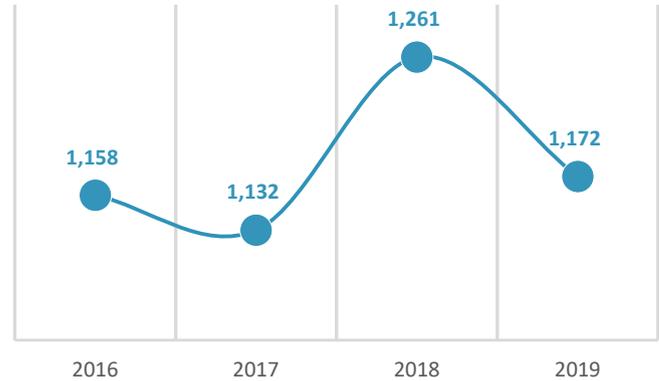
Membership Account Growth Rate



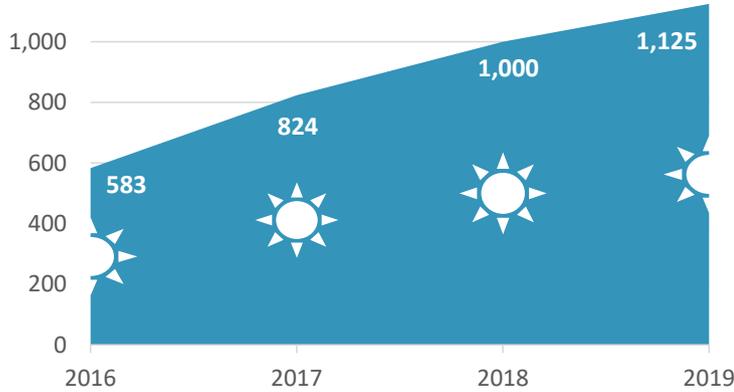
kWh Sales (In Millions)



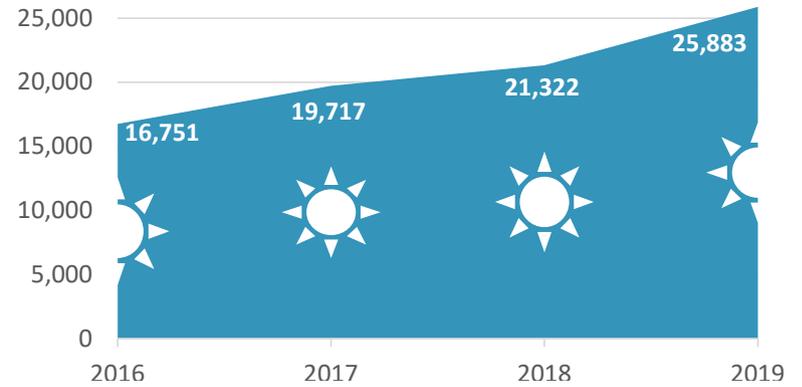
Average kWh Residential (Monthly)



Number of Net Metering Accounts

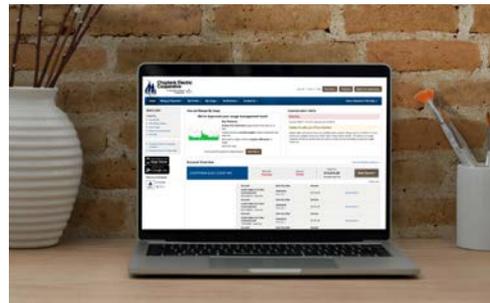


Net Metering Load on System (kW)



SmartHub

SmartHub is our online bill payment system, which gives our members access to check and pay their bill 24/7, select different payment options, look at hourly, daily, monthly, or annual energy usage, view their daily usage in kilowatt hours or dollar amounts, receive usage alerts via email or text based on energy usage parameters personalized by the member, and so much more! With over 20,000 subscriptions, members know SmartHub is the best way to pay!



Youth Tour

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 1,500 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.



Historic sites, monuments, and government sites.



Networking opportunities & exclusive leadership training.



Fun activities including sport events, river cruises, and more.

The Choptank Electric Trust

In 2004 we adopted the community outreach program called Operation Round Up. 95% of our members participate in this program. Participants '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.



Community Outreach

In addition to our official programs, we also add value through other ways such as career days at local elementary, middle, and high schools and participating in other community events such as hotline demos and local fairs.



For 82 years and counting,
Choptank Electric Cooperative
has brightened your future.

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



www.choptankelectric.coop



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