

ANNUAL REPORT

2023



**Choptank Electric
Cooperative**

A Touchstone Energy[®]
Cooperative



MEMBERS FIRST. EVERY DAY.



**PRESIDENT
& CEO'S
MESSAGE
TO OUR
MEMBERS**

Dear Members,

The past twelve months have been a rewarding exercise in balancing the supply chain, keeping expenses for cooperative members as low as possible and preparing for the future with youth education and workforce training. As always, our number-one goal is reliable electric service that prioritizes the safety of our employees and community.

We celebrated the launch of our pre-apprentice powerline worker program in partnership with Wor-Wic Community College and the Virginia, Maryland, Delaware Association of Electric Cooperatives. The first class of future lineworkers graduated in December. The program offers local students hands-on training for rewarding jobs in our community. We also supported the opening of Perdue Henson Junior Achievement Center, a program to boost financial literacy, work readiness and entrepreneurship for students throughout the Eastern Shore.

We continued our high-speed internet buildout, offering broadband to 10,000 families by the end of 2023. Choptank is building infrastructure and connecting customers faster than any other provider on the Shore. With this technology, we hope to bring economic development to the area along with better educational opportunities, tele-health capabilities, increased job activities and more.

Working to connect members to Choptank Fiber did not prevent us from delivering affordable, reliable, and safe electricity to our members. Maintaining over 6,000 miles of electric lines across the Eastern Shore, we continue to receive a 99% reliability rating from the ASAI, and we are pleased that our long-term investments continue to pay off.

For over 85 years, Choptank Electric Cooperative has served its members and community faithfully – and we hope that we can continue to do so for many years into the foreseeable future.

Mike Malandro
President & CEO



Douglas D. Scott
Chairman of the Board

Mike Malandro
President & CEO

YOUR BOARD OF DIRECTORS



Douglas D. Scott
Chairman,
Dorchester County



Robert E. Arnold
Vice Chairman,
Queen Anne's County



John J. Burke, Jr.
Treasurer,
Cecil County



Matthew R. Holloway
Secretary,
Wicomico County



Amy Ireland Brandt
Caroline County



Craig N. Mathies Sr.
Somerset County



Kristen E. Nickerson
Kent County



Jeffrey D. Rathell, Sr.
Talbot County



Robert B. Thompson
Ocean Pines District



Donna Richardson West
Worcester County

YOUR EXECUTIVE STAFF



Mike Malandro
President
and CEO



Paula J. Bishop
Vice President of
Human Resources



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



Sarah M. Dahl
Vice President
& General Counsel



Lisa H. DeSantis
Vice President
and CFO



W. Lance Lockerman
Vice President of
Operations



Timothy W. McGaha
Vice President of
Technical Services



Leroy D. Sverduk
Vice President of
Engineering

CHOPTANK ELECTRIC COOPERATIVE LEADERSHIP

CHOPTANK ELECTRIC COOPERATIVE MISSION STATEMENT

Choptank Electric and Choptank Fiber exist to provide reliable and cost-effective services that improve the quality of life for our communities.

As a member of a co-op, like yourself, we take part in a larger community. A large community, connected and working together to improve the lives of our members. You. Our members are our first partners. Your commitment to us allows us to better serve you and your community. Working together is key to improving services, bolstering local economies and dealing more effectively with social and community needs. It's one of our founding principles. In fact, it's our 6th: *Cooperation Among Cooperatives*.

One partnership we greatly benefit from is our membership with **Old Dominion Electric Cooperative®**. We are one of ten other cooperatives that own Old Dominion Electric Cooperative, also known as ODEC. Incorporated in 1948, ODEC provides reliable, safe and affordable wholesale electric service to its members here in Maryland and also neighboring states Delaware and Virginia. ODEC is a not-for-profit, tax-exempt generation and transmission cooperative that operates for the benefit of its members that are its owners.

Our partnership with the **Virginia, Maryland & Delaware Association of Electric Cooperatives** allows us to better serve our members by improving staff safety, educational and training services, and more. Our membership with VMDAEC enables us to efficiently publish Cooperative Living, providing us an opportunity to properly inform our members.



Our partnership with **Touchstone Energy® Cooperative** allows us to access a network of locally owned cooperatives across 45 states. Touchstone is a national network of electric cooperatives that provides research, resources, and employee training programs that help its member cooperatives better engage and serve our members. Together, we put members first. With the help of Touchstone Energy's resources, we can offer useful services to our members like the Co-op Connections Card, energy efficiency and renewable energy tools and information, and more.

Choptank Electric continues to work hard to deliver reliable, affordable, and safe electricity to you. With our highly trained operations and engineering team and state-of-the-art grid, we are keeping the lights on for our members 99.98% of the time.

Investing in capital projects and performing preventative maintenance throughout the year enables us to increase system reliability, safety and affordability. 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.

CHOPTANK ELECTRIC COOPERATIVE PARTNERS

INCREASING RELIABILITY & YOUR SERVICE

CHOPTANK ELECTRIC COOPERATIVE BY THE NUMBERS

6,391
MILES OF LINE

8.86
METERS PER MILE

170
FULL-TIME EMPLOYEES

93%
MEMBERS ENROLLED IN OPERATION ROUND UP

99.98%
AVERAGE SYSTEM RELIABILITY **

MEMBER ACCOUNTS
56,609 - 2023
56,142 - 2022
55,599 - 2021

140
AVERAGE DAILY CALLS TO CALL CENTER

111.2
AVERAGE TIME OF INTERRUPTION IN MINUTES*

1.25*
NUMBER OF OUTAGES PER MEMBER

*Data includes the whole year with no major storms. It also includes DPL transmission drops.
**Reliability rating from the Average System Availability Index.





CHOPTANK FIBER, LLC is a wholly owned broadband subsidiary of Choptank Electric Cooperative. Choptank Fiber's goal is to install broadband one community at a time and then reinvest the monthly subscription revenue into the expense of infrastructure development in the next community.

As Choptank Fiber becomes profitable, it will pay back the electric ratepayers. So, our 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.

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. 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.



9,978
Number of homes passed

\$52,700,000
Amount of Grants awarded since inception

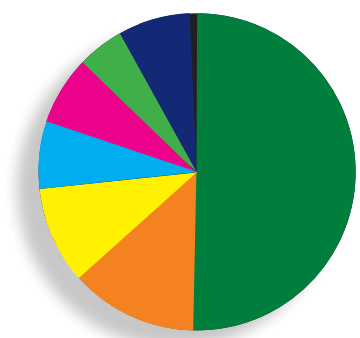
12
Completed expansion and infrastructure grants

1,581
Miles of distribution fiber

8 of 9
Counties Connected

FIBER ACTIVE CUSTOMERS BY COUNTY

- Caroline - 1,755
- Somerset - 472
- Worcester - 322
- Dorchester - 289
- Queen Anne's - 313
 - Talbot - 1
- Wicomico - 166
- Cecil - 211



CONSOLIDATED BALANCE SHEETS

ASSETS (What We Own)	<u>2022</u>	<u>2023</u>
Net Utility Plant	\$305,376,315	\$332,767,176
Investments	\$80,262,697	\$88,101,879
Cash	\$2,362,277	\$1,786,770
Accounts & Notes Receivable	\$56,388,667	\$50,371,974
Materials & Supplies	\$13,533,566	\$20,093,153
Other Current Assets	\$2,825,887	\$2,337,687
Deferred Debits	\$32,383,724	\$34,302,920
Total Assets	\$493,133,133	\$529,761,559
LIABILITIES		
Long-Term Debt	\$219,825,309	\$240,046,564
Other Non-Current Liabilities	\$1,000,336	\$3,401,066
Accounts Payable	\$17,215,036	\$29,393,443
Current Portion of Long-Term Debt	\$11,027,967	\$11,640,214
Other Current & Accrued Liabilities	\$17,467,012	\$14,988,317
Consumer Deposits	\$1,619,436	\$1,878,089
Deferred Credits	\$32,970,281	\$33,904,100
Total Liabilities	\$301,125,377	\$335,251,793
MEMBERS' NET WORTH		
Membership Fees	\$384,455	\$384,455
Accumulated Margins	\$21,198,341	\$21,789,717
Other Equities	\$170,424,960	\$172,335,594
Total Members' Net Worth	\$192,007,756	\$194,509,766
Total Liabilities/Net Worth	\$493,133,133	\$529,761,559

The consolidated financial statements include the financial performance of the Cooperative and its subsidiaries, Choptank Services Corporation (CSC) and Choptank Fiber LLC. CSC owns a 37.54% interest in Mid-Atlantic Cooperative Solutions, Inc. and Choptank Fiber LLC operates as a broadband business on Maryland's Eastern Shore.

CONSOLIDATED STATEMENT OF OPERATIONS

INCOME	<u>2022</u>	<u>2023</u>
Revenue	\$160,478,855	\$161,076,171
EXPENSES		
Purchased Power Cost	\$93,649,108	\$97,735,440
Operations Expense	\$5,551,027	\$6,615,267
Maintenance Expense	\$8,305,716	\$10,275,414
Consumer Account Expense	\$2,433,111	\$2,563,317
Administrative & General Expense	\$11,162,633	\$11,897,979
Depreciation	\$15,077,429	\$15,141,515
Taxes	\$4,213,529	\$4,444,086
Interest Expense	\$9,659,205	\$12,707,047
Other Deductions	\$163,083	\$207,500
Total Expenses	\$150,214,841	\$161,587,565
MARGINS		
Operating Margins	\$10,264,014	\$511,394
Non-Operating Margins	\$1,041,009	\$909,214
G & T Capital Credits	\$1,201,535	\$1,272,880
Other Capital Credits/Patronage Dividends	\$746,654	\$1,210,275
Income Tax Expense - Deferred	-	\$323,000
Total Margins	\$13,253,212	\$2,557,975

WINTER	SYSTEM ENERGY PEAKS	SUMMER
February 4, 2023, at 8 AM with 246,673 kW.		July 28, 2023, at 7 PM with 257,080 kW.

REAL ESTATE & PERSONAL PROPERTY TAX

County	<u>2023</u>	County	<u>2023</u>
Caroline	\$879,264	Somerset	\$343,565
Cecil	\$194,488	Talbot	\$487,051
Dorchester	\$648,648	Wicomico	\$552,494
Kent	\$289,317	Worcester	\$714,509
Queen Anne's	\$299,722		
Total	\$4,409,058	Total	\$4,409,058

METERS

Residential	50,392
Com. & Ind.	5,803
Primary	31
Irrigation	165
Lighting	218
Total	56,609



CHOPTANK
ELECTRIC
COOPERATIVE

VEGETATION MANAGEMENT

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

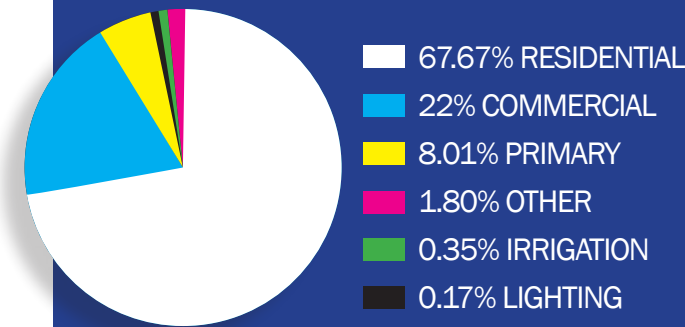
Tree trimming and mowing operations have been primarily performed by Asplundh Tree Experts of Willow Grove, Pennsylvania since 2003.

- > **TRIMMED 1,047 MILES OF LINE**
- > **MOWED 201 ACRES OF LAND**
- > **REMOVED 2,738 TREES**
- > **SPRAYED 545 ACRES WITH HERBICIDES**
- > **RESPONDED TO 401 MEMBER'S REQUEST FOR SERVICE RESTORATION EFFORTS**
- > **REPLANTED 113 TREES**
- > **CONVERTED 724 ACRES OF LAND**

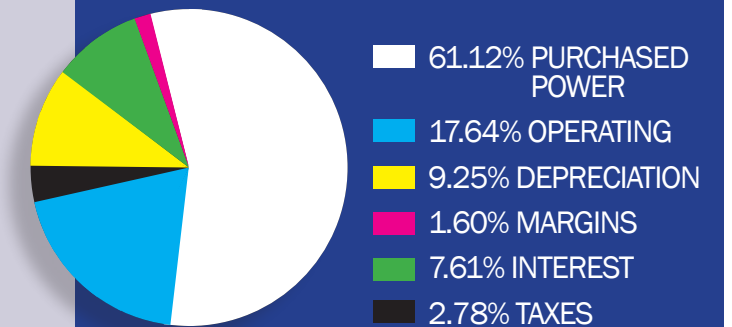
CHOPTANK
ELECTRIC
COOPERATIVE

HOW YOUR COOPERATIVE DOLLAR WAS SPENT

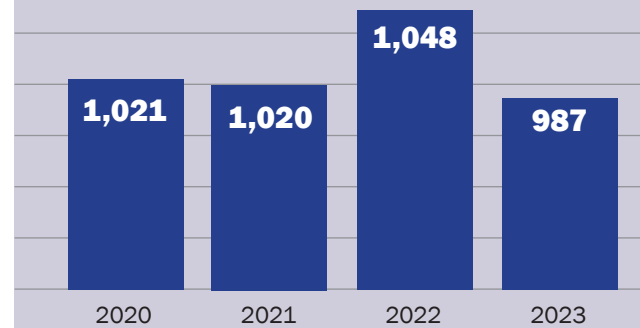
WHERE IT CAME FROM



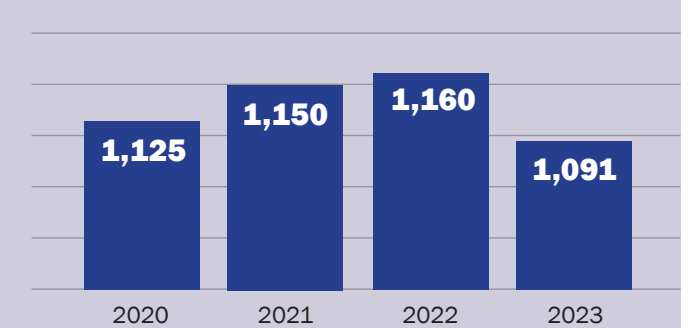
HOW IT WAS SPENT



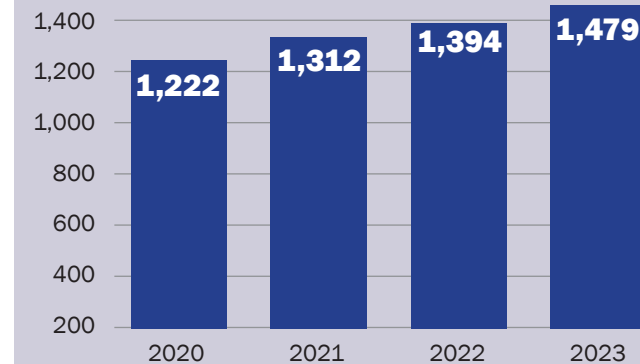
kWh SALES (IN MILLIONS)



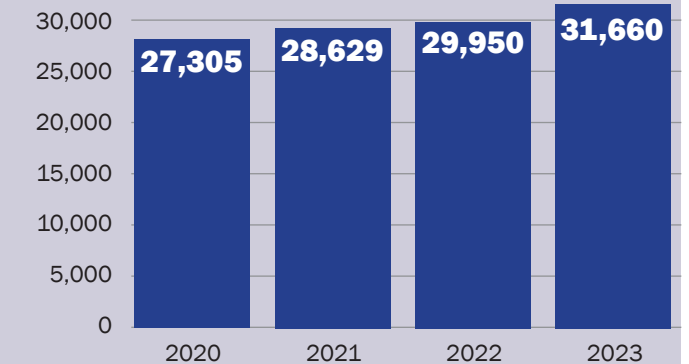
AVERAGE kWh RESIDENTIAL (MONTHLY)



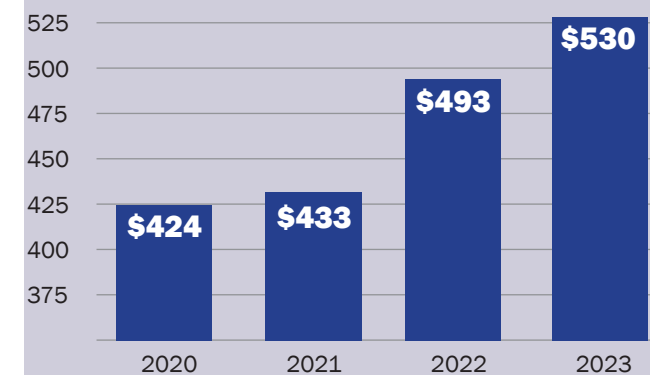
NUMBER OF NET METERING ACCOUNTS



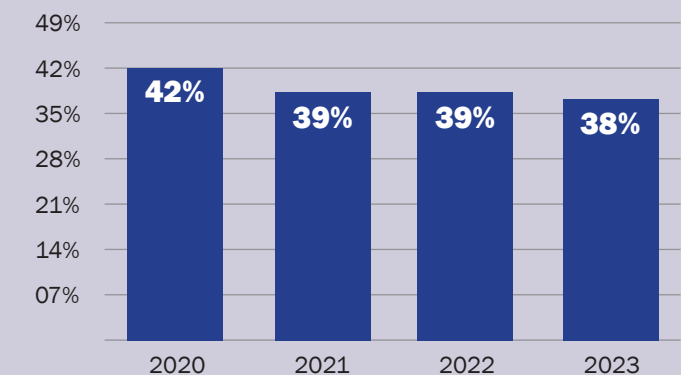
NET METERING LOAD ON SYSTEM (kW)



ASSETS (IN MILLIONS)



EQUITY AS PERCENTAGE OF ASSETS



STRENGTH IN THE COOPERATIVE WAY



Through the Choptank Electric Trust

One of the 7 Cooperative Principles is Concern for Community. As a Co-op, the quality of life for our members and the community has always been at the center of what we do. Based on that Cooperative Principle, Choptank Electric Cooperative adopted Operation Round Up® as our community assistance program in 2004.

Operated as the non-profit Choptank Electric Trust, Inc., Operation Round Up® is a simple and rewarding way to enable members to contribute funds for local charities, needy individuals, and service organizations. The Choptank Electric Trust is governed by its own Board of Directors representing all nine counties on the Eastern Shore. Members who participate in this program 'round up' their monthly electric bills to the nearest dollar and donate the difference to our program, distributing the money in our local communities. In 2023, 93% of Choptank Electric Cooperative members were enrolled in Operation Round Up®.

The Choptank Electric Trust also authorizes donations to support community programs and historical efforts. **A total of \$338,172 was granted by the Trust in 2023 to support our community** with food, clothing, shelter, equipment, medical and educational needs.

Choptank Trust partnered with Perdue Farms in March of 2023 to donate \$35,000 to install a new entrance and deck to the Blind Industries & Services of Maryland (BISM) in Salisbury. The entranceway into their training facility had become unsafe and was beyond repair, so Trust Board member Ed Henry of Wicomico County stepped up to help with this important need through the Choptank Trust.

The Trust also donated to Betterton Methodist Church over a three-year period, totaling \$11,500 toward church renovations. Completing all renovations in 2023, the church is now energy efficient and a safe place for the community to gather.

> www.choptankelectric.coop/operation-round-trust-fund

CHOPTANK ELECTRIC COOPERATIVE OUTREACH

INVESTING IN OUR COMMUNITY'S YOUTH

Choptank Electric Cooperative continued to offer scholarship programs to help local students seeking higher education. Between our Luck of the Draw Scholarship at the Annual Meeting, the Choptank Electric Trust Scholarship and the Virginia, Maryland & Delaware Association of Electric Cooperatives (VMDAEC) Scholarship, over \$30,000 was awarded to more than 22 deserving student members across the Eastern Shore in 2023.

Choptank Electric Cooperative partnered with Delmarva Power to develop an educational utility storefront at the Perdue Henson Junior Achievement Center in Salisbury. More than 10,000 students from six Eastern Shore counties will visit the Center over the course of 2024 to learn about the industries in

our community, financial budgeting and career exploration. Our Powerline Worker Pre-Apprenticeship Program at Wor-Wic Community College launched and graduated its first class in 2023, providing local students the opportunity to gain certifications and practice climbing to become a lineworker right in their backyard.

While traveling and supporting local county fairs, festivals and a variety of other events in 2023, we met with many members to talk about broadband internet and electrical safety. Supporting our local schools and colleges, we also participated in hotline demonstrations, touch-a-truck events, career fairs and presentations to reach our community's youth.

> www.choptankelectric.coop/scholarships



Lighting The Eastern Shore
for 86 years and counting.

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



Choptank Electric Cooperative

A Touchstone Energy[®]
Cooperative



P.O. BOX 430 | DENTON, MD | 21629 | WWW.CHOPTANKELECTRIC.COOP
MEMBER SERVICE CENTER: 1-877-892-0001 | AUTOMATED MEMBER SERVICE: 1-866-999-4574
ELECTRIC OUTAGES: 1-800-410-4790 option 1 | FIBER OUTAGES: 1-800-410-4790 option 2
← Use SmartHub to Manage Account, Track Usage and Report Outages
ON THE COVER: Apprentice Lineman Brian Postles works on a new span of line in Wicomico County.