

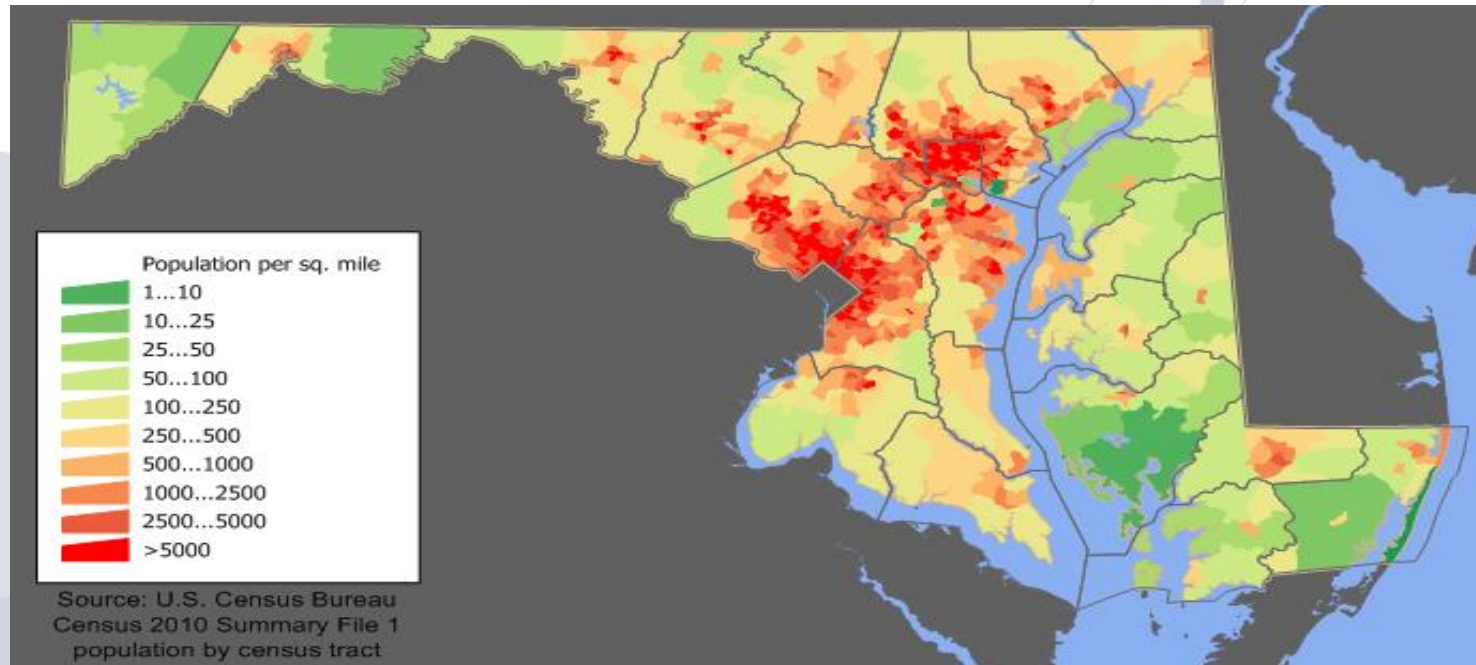
Member Regulation and Broadband

Maryland General Assembly 2020

Choptank Electric Cooperative



Goal: Bring high-speed internet to the Eastern Shore



Model #1: Middle-mile fiber leasing

- SB 634 (2019) – An electric cooperative can use its existing easements for broadband.
 - Choptank’s goal was to do ***middle-mile*** fiber leasing
 - Not designed for a co-op intending to become a ***last-mile*** internet service provider
- Choptank middle mile + retail ISPs will only ever serve pockets of the Shore, not the most rural parts

Model #2: Last-mile via arm's length subsidiary

- No legislation needed - - electric cooperatives can own subsidiaries
- Choptank has one such subsidiary already
- This model is not feasible for broadband, as proven by the fact that no for-profit ISPs are currently serving the rural areas

Choptank Electric Cooperative (CEC)

- Not-for-profit entity
- Subject to Public Utilities Article and Electric Cooperative Act
- 100% member-owned
- Member-elected Board of Directors

Choptank Services Corporation (CSC)

- For-profit entity
- Wholly-owned by CEC (CEC owns 100% of CSC shares)
- Board of Directors is same 10 people as CEC Board

MACS / Aero

- Gas/propane company
- Owned ~ 1/3 by CSC, 1/3 by Aero employees, and 1/3 by AUSCO (subsidiary of a Pennsylvania electric cooperative)

Model #3: Last-mile via subsidiary exempt from the affiliate regulations

- PSC affiliate regulations – COMAR 20.40.01.01
 - Limitations on joint promotions/marketing
 - Limitations on sharing of personnel
 - Requires cost allocation manual to be filed with the PSC
- Choptank could pursue an exemption or waiver from the affiliate regulations
 - Cost allocation manual would still need to be filed with the PSC
- Regulatory uncertainty = risk
- Administrative burden

What does the bill do?

- In the Electric Cooperative Act, creates a new category of “Member-Regulated Cooperative”
- 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

Concern #1: Cross-subsidization

- SB 634 (2019) allocation provision is untouched:
(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.
- Enforcement exists even without the PSC

Concern #2: Choptank could raise rates and act contrary to its 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
- Proposed bill has a provision for members voting to return to PSC regulation

Not "rigged" in favor of Board's selection

Concern #3: Broadband = 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



Questions?

Appendix



Choptank Electric Cooperative

A Touchstone Energy Cooperative



PO BOX 430
DENTON MD 21629-0430

PAY BY PHONE: 1-866-999-4574
MEMBER SERVICES: 1-877-892-0001
www.choptankelectric.coop

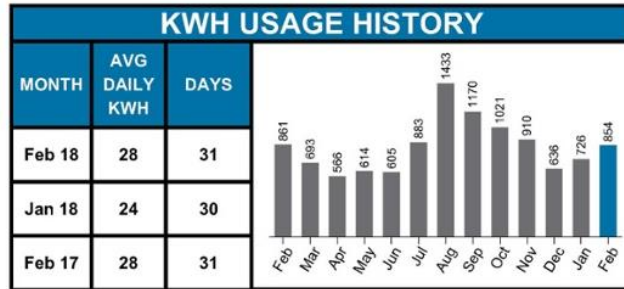
MR JOHN DOE
MRS JOHN DOE
12345 ANYPLACE
ANYWHERE MD 99999-9999

4 680

Account Number	999999999	Bill Date	02/02/2018
Prior Balance	104.00		
Payments - Thank You!	-104.00		
Prior Period Adjustments	0.00		
Prior Balance Forward Due	0.00		
Current Bill Amount	120.00		
Total Balance Due:	120.00		

Current Bill Amount Due No Later Than: 02/21/2018

Account Summary:
Find your Choptank Electric account number, bill date, balance, current amount, and total balance due.



Consumer Charge:
This charge is designed to recover the cost of service related to delivery of electricity to members. The Consumer Charge is a flat distribution charge.

Distribution Charge:
Like the Consumer Charge, the Distribution Charge is also designed to recover cost of service related to delivery of electricity to members. This charge is based on energy consumption.

Generation Charges:
This is the cost to produce energy.

Power Cost Adjustment:
The purchased power cost adjustment (PCA) reflects increases and decreases in the cost of purchased power from the Cooperative's wholesale power supplier.

Paperless Next Scheduled Meter Reading Date On or About: 02/20/2018

Meter #	Readings		Rate	Service Description	Cycle	1.5% Late Charge Applied After
	From	To				
99999999Z	12/20/2017	01/20/2018	R	LOT 999/12345 ANYPLACE	1	02/21/2018

Prev Rdg	Pres Rdg	Usage	Mult	Billed Usage	Type	Description
23576	24430	854	1.0	854	Actual	

CHOPTANK ELECTRIC COOPERATIVE DELIVERY CHARGES

Consumer Charge		11.25
Distribution Charges	854 kWh x 0.04773	40.76
Universal Service		0.36
Environmental Surcharge	854 kWh x 0.000157	0.13
MD PSC Franchise Tax	854 kWh x 0.00062	0.53
Roundup Contribution		0.48

SUPPLIER CHARGES CHOPTANK ELECTRIC COOPERATIVE

Generation Charges	854 kWh x 0.07854	67.07
Power Cost Adjustment	854 kWh x -0.00852	-7.28
Transmission Charges	854 kWh x 0.00784	6.70

1-877-892-0001