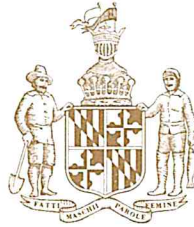


STEPHEN S. HERSHEY, JR.
Legislative District 36
Caroline, Cecil, Kent, and
Queen Anne's Counties

MINORITY WHIP

Finance Committee
Executive Nominations Committee



James Senate Office Building
11 Bladen Street, Room 420
Annapolis, Maryland 21401
410-841-3639 · 301-858-3639
800-492-7122 Ext. 3639
Fax 410-841-3762 · 301-858-3762
Steve.Hershey@senate.state.md.us

The Senate of Maryland
ANNAPOLIS, MARYLAND 21401

February 25, 2020

The Honorable Delores Kelley
Finance Committee

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

Dear Madam Chair and Members of the Committee:

In 2019, this committee passed Senate Bill 634 which insured that electric customers do not subsidize the cost of broadband services and an electric cooperative shall allocate properly all costs incurred. Senate Bill 540 is the next step in deploying broadband access to the Eastern Shore.

Senate Bill 540 is cosponsored by all members of the Eastern Shore Delegation and is offered as a local solution to a local problem. Senate Bill 540 would give the member owned, Choptank Electric Cooperative, the opportunity to become a member-regulated cooperative.

Under this regulatory structure the member-owners of the Cooperative would have greater autonomy, through their Board of Directors who are elected from within the membership, to make decisions on the services provided through the Cooperative. Under this regulatory structure, the Cooperative would not go before the Public Service Commission for electric rate approval.

Cooperatives are owned by their members and their communities, governed by a member-elected Board of Directors, provide services requested by their members, and formulate rates based on the cost of this service. At the end of the year, any excess funds are credited back to their members based on usage throughout the year. Cooperatives do not make a profit as companies with shareholders do. They only recover the cost of distributing electricity and maintaining a reliable system.

The goal for Choptank Electric Cooperative in becoming a member regulated entity is to deliver broadband service to members using the Cooperative's assets that are already owned and paid for by its members.

The Eastern Shore has a high number of residents who lack broadband access and a recent Salisbury University mapping effort shows that more than 40% of Choptank Electric Cooperative members have no access or subpar options for internet service. The Task Force on Rural Internet, Broadband, Wireless and Cellular Services has submitted two reports in 2018 and 2019 recommending removing obstacles for private providers and allowing electric cooperatives to help solve the problem. Today, 83% of the electric cooperatives across this nation are member regulated.

As you can see from the file, Senate Bill 540 has a lot of support and I request the committee's favorable consideration of Senate Bill 540.