



*Electric Cooperatives
Serving their Members
& Local Communities*

SB 510 / HB 487 Corporations and Associations- Electric Cooperatives – Nonescheat Capital Credits

Allowing electric cooperatives to use unclaimed capital credits to benefit the members of the cooperative rather than remit to the state as abandoned property

Background

Choptank Electric Cooperative is a not-for-profit electric distribution company owned and regulated by its 57,000 member/customers on Maryland's Eastern Shore. As a not-for-profit, we establish rates that cover the expenses of maintaining our electric distribution grid, ensuring reliability and providing for the safety of our employees. Whenever we collect more in rates than was needed to operate the cooperative, we credit those "margins" back to our members in an end-of-year allocation. Those allocated funds are used by the Cooperative to finance operations, but when no longer needed, the credits are "retired" and funds are returned to members.

The cooperative's elected Board of Directors typically retires capital credits once per year. They try to retire the oldest credits first, getting funds back to members who have participated the longest. During this process there are sometimes members who cannot be found, who have not updated their current address with the cooperative. Under current law, the cooperative must send those undistributed funds to the Comptroller of Maryland.

The amount of unclaimed retired credits varies from year to year. It has been as low as \$1,640 and as high as \$655,000. Over the last 11 years, Choptank has sent \$2,194,979.11 in member funding to the Comptroller. This averages \$199,500 per year. This is not a significant number when compared to the budget of the State of Maryland but is significant when we consider how it could be used to help the members of the cooperative.

The Bill

SB 510/HB 487 create a **Nonescheat Capital Credit** for electric cooperatives in Maryland, so that unclaimed member funds can be maintained to assist the members of the cooperative. Please support SB 510 and HB 487 for the following reasons:



- Passage of SB 510 and HB 487 allows electric cooperatives to reinvest unclaimed credits back into the cooperative and the local communities they serve.
- Choptank Electric Cooperative has been part of the rural community on the Eastern Shore for 85 years with a long-standing record of investing, donating, and partnering with various organizations.
- Electric cooperative employees live and work in the communities they serve. They are dedicated to making a difference for their neighbors.
- Choptank members value their control over the policies and investment decisions of their cooperative through their elected Board members.
- Choptank seeks to use unclaimed member-invested funds for the benefit of the cooperative members. Examples of how the funds could be used include:
 - Tree planting programs
 - Scholarships to fund workforce development programs
 - Apprenticeship programs and internships on the Eastern Shore
 - Pilot projects to evaluate advanced controls to enable a more efficient move to electrification in the future (i.e., enhanced sensors for voltage regulators)
 - Line extensions or electric upgrades for youth sports fields
 - Help members in need pay electric bills
 - Energy efficiency programs
 - Electric vehicle charging incentives or infrastructure
- SB 510 and HB 487 require a vote of the elected Board of the electric cooperative to determine how unclaimed funds are spent in any given year – this ensures that funds are targeted at current member priorities.
- SB 510 and HB 487 require the cooperative to hold the retired funds for 5 years before using them to assist members of the cooperative.
- SB 510 and HB 487 do not relieve a cooperative of the obligation to refund nonescheat capital credits on application of a past member.
- Unclaimed retired capital credits are not a dedicated revenue source to state funding.
- Passage of SB 510 and HB 487 aligns Maryland electric cooperatives with those in 37 other states.

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