



August 19, 2020

Applicability: Board and Management

BOARD AND MANAGEMENT POLICY NO. 360 RATEMAKING

I. PURPOSE

To establish a policy which explains the ratemaking process and the administration of electric rates and terms of service. All Choptank Electric Cooperative's rates shall be designed with the Cooperative and its members in mind: fair, equitable, and not-for-profit, based on the costs of maintaining our system and safely delivering your power.

II. PROCEDURE

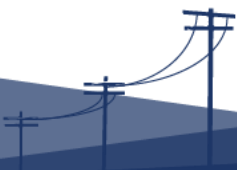
A. Authority

Pursuant to the Electric Cooperative Act,¹ the Board of Directors of Choptank Electric Cooperative (hereinafter, "Board") has the authority to establish and change rates charged by the Cooperative.

B. Considerations

1. Each Director represents all classes of members in the ratemaking process. The goal of ratemaking is the fair apportionment of the costs of furnishing service to various classes of members. Each class shall be cost recovery efficient as to the services provided to that class.
2. Classification of members shall be made upon actual distinct conditions and circumstances and the cost of furnishing services. Where a substantial number of members share readily identifiable common circumstances and conditions within the Cooperative system, such members shall constitute and be treated as a class. Facts that produce a substantial inequality of conditions or change of circumstances of the members shall justify a reasonable commensurate inequality in rates.
3. It is hereby recognized that it is impossible to accurately break down the cost of furnishing services to each individual member, and therefore, no member shall be entitled to be considered individually and separately for rate purposes. Exceptions may apply in the case of Market Based Economic Development Rates designed to attract local jobs and economic development to the Cooperative's service territory.
4. Discrimination between or among members of the same class is prohibited unless (1) there exists an actual difference in the situation of such members and (2) the cost of furnishing services thereto justifies different treatment.

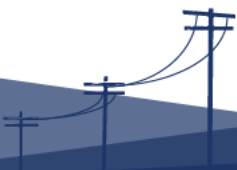
¹ Maryland Code, Corporations and Associations Article, Title 5, Subtitle 6, Part VI: Member-Regulated Cooperatives.



5. The Board may discontinue services to any class of member that consistently demonstrates an inability or unwillingness to bear its own share of the cost of providing such services. No class of member shall subsidize or support another class of member. In short, that class of member which benefits from the availability of a service shall pay for such services.
6. Cost of service studies and rate analysis shall be performed as frequently as deemed appropriate by the Board to maintain fair and equitable rates.
7. Reasonableness of rates shall be determined by reference to cost recovery efficiency and not by the economic circumstances of the individual member.
8. The Cooperative and the Board shall abide by the mandatory provisions of any loan covenants or other instruments of indebtedness concerning rates and ratemaking unless good cause requires deviation therefrom.
9. This policy shall be subject to the Public Utility Regulatory Power Act of 1978 (PURPA), as amended from time to time, the Federal Energy Regulatory Commission, and any other applicable regulations.

C. Process

1. A proposed Rate Change may be initiated by either the Board or the President & CEO. As used herein, "Rate Change" includes the adoption of a new rate, or an increase or decrease in rates or charges. Rate Change does not include: (a) changes in the cost of power/supply, including the periodic Power Cost Adjustment (PCA), which are pass-through costs from the Cooperative's wholesale power supplier(s), nor (b) changes in the Cooperative's Terms and Conditions, which may be approved by the affirmative vote of a supermajority of the Board.
2. The Cooperative and/or the Board shall engage an outside, independent rate consultant to study any significant Rate Change and to assist the Board as needed in the ratemaking process.
3. Notice to Members
 - a. The Cooperative shall provide notice to all members in writing, either by mail or electronic means, of a proposed Rate Change. The notice shall also be posted on the Cooperative's website. Such notice shall be provided at least thirty (30) days prior to the meeting at which the Board votes on the proposed Rate Change.
 - b. All members shall be provided the opportunity to comment on a proposed Rate Change. Comments shall be submitted in writing to the General Counsel (1) via email at Rates@choptankelectric.coop or (2) by mail at P.O. Box 430, Denton, MD 21629. Comments shall be submitted at least seven (7) business days prior to the meeting at which the Board votes on the proposed Rate Change.
 - c. All members shall be provided the opportunity to observe the portion of the meeting in which the Board votes on the proposed Rate Change. Any member wishing to attend the Board meeting shall, submitted at least seven (7) business days prior to the meeting at which the Board votes on the proposed Rate Change, contact the CEO's Administrative Assistant at 1-877-892-0001, extension 8551 to make arrangements to attend.
4. Once all members have been heard on the proposed Rate Change, the Board shall vote on whether to adopt the Rate Change. The vote shall be conducted in accordance with the Cooperative bylaws.



5. The Cooperative shall file all Board-approved tariffs with the Maryland Public Service Commission for informational purposes only.

D. Publication

1. The Cooperative shall post all currently effective rates on its website.
2. This policy does not attempt to include the details of the Cooperative's rates or the terms and conditions of service, which shall be publicly available on the Cooperative's website.

III. RESPONSIBILITY

- A. The President & CEO is responsible for administering this policy and for recommending to the Board any changes deemed desirable.
- B. The General Counsel is responsible for (1) ensuring that members receive all required notifications and opportunity to comment regarding proposed rate changes, and (2) implementing any changes to rate structures or terms and conditions following Board approval.

This policy supersedes all previous versions of the policy and all other instructions dated prior to this policy and in conflict with its provisions.



Jeffrey D. Rathell, Sr.
Chairman

REVISION HISTORY

Revision Number	Effective Date	Description of Changes
1	8/19/20	New document.

