

Rachel Johnson, Cherryland Electric Cooperative ([00:14](#)):

Welcome

Rachel Johnson, Cherryland Electric Cooperative ([00:15](#)):

Back to co-op energy talk. I'm your host, Rachel Johnson. I'm the member relations manager here at cherry land. And you are listening to our board meeting brief for the board meeting that occurred on Monday, August 22nd. This board meeting, we have three items of note that we wanted to talk to you about first, uh, due to higher than anticipated power supply costs in July, which is something that is not totally surprising. We know we have a really volatile energy market right now, but based on those costs, we were under collected. And so we're going to increase our power supply cost recovery charge on our bills back up to eight mills from four mills that will start with the August billing, which means members will see it on their bills. Starting in September, as I already mentioned, this is just happening because of the volatility of the markets.

Speaker 2 ([00:56](#)):

We have to make sure we collect enough money to pay our margins. Uh, but, uh, in addition to that, uh, if you're interested in knowing what our current PSCR is, you can always find that information on our website. We do expect it to go back down to four mills later this fall, but again, that will all be dependent on what's going on with power supply markets. At that time, if you're interested in learning more about the power supply cost recovery mechanism, we did a podcast on that a few months ago, and you can check out that podcast. Second thing that, uh, the board got an update on was actually related to cybersecurity. And, uh, essentially what we did was educate the board on ransomware and trends in ransomware attacks. That was our IT administrator that did that presentation. And it was a really, uh, great conversation, but also a really important one because we know that utilities are frequent targets of both criminals and nation state, bad actors.

Speaker 2 ([01:45](#)):

So this is an area where we currently already put a lot of resources and we wanna make sure we're keeping the board educated about the risks and what prevention and mitigation measures we have in place and how we would respond. Were we to be the target of a cybersecurity event? The third item of note from our board meeting, our CFO gave a presentation on some key ratios that we track our lender generates. What's known as a key ratio trend analysis for over 800 cooperatives based on their financial disclosures. It is about 145 ratios. And we look at those and track our progress on those to make sure we're paying attention to the financial health of the co-op, but also potential future financial risks that we need to manage the way that those, uh, ratios and the, the acronym is actually K RTAs. The way that those K RTAs are contextualized for us, we get rated within the state.

Speaker 2 ([02:32](#)):

So how we rank compared to other co-ops in the state, but also within our peer group, which our peer group is co-ops in the range of 30 to 40,000 members. There's a little under 70 co-ops nationwide in that range. So we get ratings that show us how we're, how we compare to benchmarks with both of those potential groups. So the presentation that we looked at in our board meeting was based on 2021 financials. And here are just, I think, a few interesting highlights for you all to know first in terms of total utility plant cherry land maintains about 127 million in total utility plant on behalf of our members. This is everything that it takes to make sure we are ready to serve you energy when you wanna turn your

lights on. So it's everything from poles and wires and trucks and our building here, and our phone system.

Speaker 2 ([03:16](#)):

Anything that we have to have in place before you even buy one kilowatt hour of electricity is captured in that we have about 127 million in plant, which is a clearly a significant investment that we maintain on behalf of our members. The second thing that I thought was really interesting in that presentation is that, uh, it's very clear that we're in good financial state right now. And we are, um, in line with all of the expectations for our loan covenants and also our meeting, our board driven cooperative equity goal, which is to keep our equity as a percent of assets at 40%. We're at, we're just above 40, 40%. We're at about 41 and a half percent. This is really nerdy financial jargon. It's important to the board. It's certainly important from a, a planning perspective, but what's really cool. And something that I want our listeners to understand is that we're meeting those equity targets and those financial goals while being really, really aggressive with retiring capital credits back to our members, which ultimately brings your equity down.

Speaker 2 ([04:10](#)):

So, uh, we have throughout the course of the whole, uh, history of the cooperative retired almost 45 million back to our members, but what's amazing is that 30 million of that has happened since 2009. So we've been very, very, um, aggressive with retiring capital credits. It's been great to be in a financial place where we can do so, but the other nice thing about that is it gives us a little bit of cushion as we move into what we know is going to be a challenging financial time cost are going up. Supply change are incredibly stressed. Inflation is very high, and we are likely in a recession. We have the ability to pull back on capital credit retirements a little bit and still be, um, well, well, within our goals in terms of getting money back to our members, but also kind of having a trigger, we can pull to help protect our members during a, a period of recession.

Speaker 2 ([04:54](#)):

So very good news there. In addition to that, our K RTAs show that we continue to see growth on our system. We had about a 1.2% increase in member consumers in 2021. Uh, we average about 12 members per mile of line. That's actually very, very dense for an electric cooperative. The state average for co-ops is about 7.8 members per mile of line. And the, the, the thing that advantages us there is that means when we install one mile line. So keep in mind that 110 27 million utility plant we talked about when we install one mile of line, we get 12 retail points off of that to help cover the cost of that mile line. So we get to spread that cost across 12 meters in that scenario. Whereas some of the other co-ops in Michigan that aren't as dense can only spread that cost across 7.8.

Speaker 2 ([05:40](#)):

So it's really good for us in terms of controlling our cost growth on our system, always results and cost controls for our members. The fourth thing I found really interesting in our K RTAs is that while we continue to have excellent reliability, you all know that because you're the beneficiaries of it. Uh, we're doing that while very, very effectively managing our expenses. So two interesting ratios, our total operating expense per consumer is \$304. The average for our peer group is \$444. So that's amazing. We have some of the highest reliability ratings in, in the country. I would put up us up against anyone. And yet we're doing that with operating expenses, a little over \$300 per member versus our peer group of

444 per member. In addition to that, our total cost of electric service per consumer is, uh, right now at \$1,462. That's an annual number versus 2020 \$6 for our peer group.

Speaker 2 ([06:34](#)):

So again, about \$500, little over \$500, less per consumer in the total cost of electric service. That's, that's a combination of all of our expenses, including power supply. It is also certain a reflection of the fact that we do have a slightly lower average usage because we are in a milder climate, but still, um, our total cost of electric service is significantly lower than what people see other parts of the country. So that's, that's exciting for us. And then finally, our favorite ratio, we talk about it every year. We've probably talked about it on this podcast before, but we're very, very proud of how lean and efficient we are as it pertains to staffing and how much our employees do. Our average number of consumers per employee is well not average. Our consumer number of consumers per employee is 659. So we serve 659 members per one employee that we employ our peer group.

Speaker 2 ([07:24](#)):

That number is 368. So we're almost twice as many consumers per employee is our peer group. That makes us number one in our peer group, across the country. And also number one in the state, something that I think all of our members can be really proud of and understand that we take being efficient and as cost effective as possible really seriously. That doesn't mean that we are immune to all of the cost pressures that are affecting every other business out there, but we are in a really good position to, um, manage those costs. And certainly, uh, I think there's just clear evidence that we take those things seriously and that we are very conservative with our members' money. So those are some highlights from the K RTAs, always an exciting annual report to the board. And I think they, I, I, I will speak for them and say they were very pleased with the results. So those are the highlights from our most recent board meeting. And just a reminder, our next board meeting will be Monday, September 26th. And if you are interested in giving public comment to the board, you are welcome to come for the member input session that starts at 9:00 AM. So just come to our office in gro on Monday, September 20.