

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

Welcome back to Co-Op Energy Talk. I'm your host, Rachel Johnson, the member relations manager here at Cherry Land Electric Cooperative, and you are listening to our board meeting brief for the board meeting on Monday, April 24th. I just wanna talk about two areas this month that our board addressed. The first, and this is something we talked with you about last month as well, but I wanna talk about our finances. We continue to experience really mild weather, which is great for those of us who enjoy being outside and not having to deal with, uh, extreme cold, but it is negatively impacting our sales. Our energy sales are currently 4.7% lower than last year, and a little over 3% below what we budgeted. At the same time, our operating expenses continue to be a little bit under budget, which is good. So we're, we're managing those lower than expected sales by managing our expenses, but our interest expense is about \$45,000 above budget.

Rachel Johnson, Cherryland Electric Cooperative ([01:03](#)):

And that, I'm not telling all of you anything you don't know, that is a hundred percent due to interest rates for short-term borrowings, but as a capital intensive business, those interest rates do greatly affect our finances. So right now, our net operating margins are currently negative, about \$630,000 in the red. We anticipate that this could turn around based on our sales this summer, uh, especially if we have a warm summer with lots of air conditioning loads. So that's something we will continue to monitor. And then depending on where we're at as we get towards the end of the summer, we can make budget adjustments as necessary. So, not something that I think we are over concerned about, but a very, very real challenge this year due to weather. So something we're gonna continue to monitor, and I will continue to update you about both in this podcast and maybe in a manager's column as well, depending on where we're at as we get further into the year.

Rachel Johnson, Cherryland Electric Cooperative ([01:50](#)):

The second area that the board spent some time on this month that I also think we will talk with you more about in the future is some legislation that is beginning the process of moving through the Michigan legislature. So last week, Senate Democrats released an initial set of bills that would greatly change the energy landscape in Michigan, and I have just a few key highlights that we've pulled from our analysis of those bills that we're gonna dig a little deeper into in the coming months. So one of the things that the bills propose is a 100% clean energy standard by 2035. To put that in context for you, we currently have a renewable portfolio standard, so this would likely expand that definition from being solely renewables to also including nuclear, which is a no carbon generation source, and that is something we would greatly approve of.

Rachel Johnson, Cherryland Electric Cooperative ([02:38](#)):

That said, our current renewable portfolio standard is 15%. So 15% of our energy has to come from renewable sources. Cherry land roughly gets a little under 20% from renewable sources right now, so we're easily exceeding that mandate. The idea of a 100% clean energy standard by 2035 is likely a timeline that isn't realistic. And so that will be something we're gonna, um, push back on as we move, as we watch that legislation move from the Senate through the committee out onto the floor and through the house. A second mandate in this set of bills is tied to, uh, a previous mandate known as energy waste reduction. You've heard us refer to it as E W R probably, and basically the old E W R required co-ops to incentivize a 1% reduction in energy use compared to their previous three year sales. It, on the surface is an incredibly, it, it makes sense, right?

Rachel Johnson, Cherryland Electric Cooperative ([03:31](#)):

Like we don't wanna waste energy, nobody wants to waste energy. And if you go back 15, 20 years ago as we were going through the transition from like into l e d light bulbs and things like that, it probably made sense. The problem we have today is this new mandate that's being proposed would propose a 2% E W R requirement for co-op. So every single year we would have to incentivize a 2% reduction in our energy load, but in addition to that, it's tied to technologies that have already changed. Like nobody can buy anything but an L e D bulb today, and it's really hard to find inefficient appliances today. So one of the things that we're gonna kinda work on is that moves through the legislature is is there a more modern way to think about these types of incentives and maybe even tie them a little bit more to decarbonization to emerging technologies.

Rachel Johnson, Cherryland Electric Cooperative ([04:16](#)):

Um, things we know our members are already really interested in. That's something we're gonna watch. But, uh, we, we really feel very strongly that it would be impossible for us to meet that 2% goal because there's just not enough new technologies out there. Everybody's done the light bulbs, everybody's kind of already done all those things. And so that will be something we'll continue to watch. Uh, a fourth, I'm sorry, a third element of this package of bills is, uh, requiring updated building codes in order to reduce greenhouse gas emissions in new building construction by 17% by 2030. I, I can't say exactly what those codes would look like, but I think in a period of already very, very expensive housing costs, that would be something that all Michiganders need to be paying attention to, and you would hope that any codes take into consideration how much it decreases the cost of living in that home over time.

Rachel Johnson, Cherryland Electric Cooperative ([05:03](#)):

And then finally, there is a requirement in these set of bills to reduce carbon emissions from transportation by 25% by 2035. Obviously, electrification of vehicles can play a part in that. Um, but in, in addition, fuel standards can play a part in that. I don't know exactly what that would look like, but where we'll be watching it from cherry land's perspective is are we preparing from an infrastructure perspective to serve that electric vehicle load? If this hastens the pace at which people will be purchasing and installing vehicles on our system. So expect more from us in coming months as the Senate and eventually the house start negotiating on this energy bill package. We know it's not gonna look like it does now when it gets to the finish line. And at the end of the day, our priority is gonna remain advocating for reasonable timelines and ensuring that we can maintain reliable electricity in Michigan. Um, but what that looks like in the end, I can't say today, but it is something our board has begun discussions on. So our next board meeting is May 22nd. We will begin that board meeting with member input at 9:00 AM and if you have any questions about this update or anything else going on with the co-op, don't hesitate to reach out to me. Join us next time for more co-op energy talk.