

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

Welcome back to Co-Op Energy Talk. I'm your host, Rachel Johnson. I'm the member relations manager here at Cherry Land Electric Cooperative, and you are listening to our board meeting brief for our board meeting on Monday, March 20th. And there are five quick things I'd like to update you on from that meeting. First, uh, we did actually have a member show up for member input for this meeting. Um, she had some questions about our upcoming rate change, but also had some questions about something I talked about in the podcast last month. So I wanted to touch base on it. She had questions about how the Rural economic development loan program that U S D A puts on works and what it means for cherry land members when we, uh, pass a loan through at Cherry Land. So let me just give a little more detail on that. The Rural Economic Development Loan Program is a, a federally funded U S D A program.

Rachel Johnson, Cherryland Electric Cooperative ([00:56](#)):

Cherry Land is basically a pass through. So there's an end recipient who's receiving the loan, and then U S D A is the one issuing the loan, and that money passes through Cherry Land and gets directly, uh, paid out to the end recipient. And then as the end recipient pays that money back, it passes back through Cherry Land, back to U S D A. The end recipient pays no interest. That is not a decision Cherry Land makes. That is a requirement of the U S D A program. Cherry Land's main role aside from that administrative piece is that we are the guarantor on the loan. So we obviously very carefully vetted this loan recipient to increase our confidence that they would be able to pay back the loan, and we made sure we had good collateral if something were to happen. One of the questions that this member asked was like, why does the co-op do this?

Rachel Johnson, Cherryland Electric Cooperative ([01:38](#)):

This isn't really the co-OP's job. Well, there's two, I think things that are really important to keep in mind. First of all, this U S D A program has a specific requirement that the only way that money can be lent into a community is if an electric cooperative agrees to pass it through. So if we had not chosen to participate in this program, that money that federally funded taxpayer funded money would never come for economic development in our community because of our unwillingness to pass it through. So I think it's, it is just kind of important to understand that we don't set the rules <laugh>, but those rules exist and we wanna make sure we're doing the right thing for our community, which is the second reason that this is important to cherry land. While certainly selling electricity is our business, we also know that economic development is good for the commercial members we serve.

Rachel Johnson, Cherryland Electric Cooperative ([02:22](#)):

It's also good for the residential members we serve who often work at these businesses. And it's good for the whole community cuz as the community grows and the economy of the community is as healthy as possible, that has a positive impact on everyone who lives here, including all of our members. So we do view ourselves as having an important role in economic development. Uh, and then the last thing I wanted to make very clear, cause I think there was some concern about this. While the co-op is the guarantor on the loan, and like I said, we carefully vet it, we don't incur any cost as the guarantor, so the, the end recipient pays us back for any administrative expenses that we might incur. So the the members really aren't paying to, to, to have this loan happen. It's just a, it's a service we are offering where the co-op is made whole by the end recipient on the loan and it allows us to access those U S D A dollars and get 'em into our community.

Rachel Johnson, Cherryland Electric Cooperative ([03:08](#)):

We'll continue to keep you up to date about how that program is going, um, and share more details with you as, as, uh, as that loan processes through U S D A. The, uh, second and perhaps main focus of our board meeting this month was really talking about our financials. February was not a great month, so I'll kind of explain what happened. We had warmer than normal weather, which basically just means we had lower than expected energy sales cuz people weren't using their heaters as much because it wasn't as cold. So February of this year, we had 7.2% lower energy sales than we had in February of last year. And that, and we always, you know, we're very conservative when we budget, but that was still about 4% lower than our budget. So we just did not have as much revenue coming into the cooperative as we had budgeted to have coming into the cooperative for the very good reason of having a unexpectedly warm February depressingly, uh, gray, but still unexpectedly warm.

Rachel Johnson, Cherryland Electric Cooperative ([04:00](#)):

The good news there though is while we had lower than expected sales, that also meant we had to purchase less power. So we had lower than budgeted power supply cost. Our total power supply purchases were about 4.4% under budget. And the other really good news that we're seeing that we'll continue to talk about in the podcast going forward is we're starting to see more stability in power supply markets, specifically as it pertains to natural gas and coal prices. So we, we are, we are expecting our power supply costs throughout this year to continue to be right at or a little under budget, which is great for our members. On the opposite side of revenue, we also had an unbudgeted expense in February. We budget every single year to trim our, to trim trees in our right of way. It's a part of our ongoing maintenance program.

Rachel Johnson, Cherryland Electric Cooperative ([04:46](#)):

It's a really, really important investment that has a big impact on reliability for our members. But in February we had an unbudgeted right of way maintenance expense of almost \$200,000. It's for a project that we knew was going on. It's just that we had anticipated our tree tremors were going to complete that project in 2022. They weren't able to do that. And so the project bled over into 2023 and was invoiced even later in 2023 than we anticipated after we'd already closed our 2022 books. And so we had to, um, take that expense on in our 2023 budget. So all in for the month of February, we have about a \$540,000 loss in our net operating margins. And we are also in the red just a little bit for total margins. It's something we're gonna continue to monitor closely, especially as we implement our new rates and see how the new rate structure impacts total margins.

Rachel Johnson, Cherryland Electric Cooperative ([05:34](#)):

And we're <laugh> fingers crossed. We're hoping that as it starts to warm up and we move into summer, that that will help to reverse our low, our low sales. But we'll continue to watch that and certainly, uh, adjust our expenses as necessary to make sure that we're protecting the overall financial health of the co-op. And then the final financial thing that happened at the board meeting, uh, the board received the, uh, final report of our auditors for 2022. We did have a clean audit and ended 2022 with approximately 3.3 0.4 million in total margins. Lots of detail in those audited financials, but if you're interested in seeing, uh, that you, we will have the audited financials in the may issue of country lines in our annual report. So check it out and certainly if you have any questions, just get ahold of us. Third item of note at the board meeting, uh, we got a report on our annual reliability.

Rachel Johnson, Cherryland Electric Cooperative ([06:19](#)):

So year to date we're continuing to do really, really well. Our annual reliability is 99.995. You remember, we're always talking about chasing five nine. So, uh, continue to have really good numbers as it pertains to reliability. And that is certainly reflection of things like our investment in right of way tree trimming and all the other system investments we make to make sure that our system is as robust and resilient as possible. Uh, fourth item of note, the board appointed a new member to the Cherry Land Cares Board. For those of you who aren't familiar with Cherry Land Cares, that is a program that allows our members who want to, to round their bill up to the nearest dollar every month. That money all gets pooled into a grant program and then a group of volunteer cherry land members oversee the grant applications and choose where to disperse those grants.

Rachel Johnson, Cherryland Electric Cooperative ([07:02](#)):

So, uh, at this board meeting, we have one current Cherry Land Cares board member, Jeremy Hawk, who has finished his term final term on the board and is resigning from the board. And so the board voted to replace him with a new cherry land member, Rebecca Sanford. But I did wanna take a second to acknowledge and thank Jeremy for his many years on the Cherry Land Cares Board and his careful oversight of those grant dollars that our cherry land members trust us with. And finally, uh, this month the board voted to reelect Melinda Latner to serve on the Wolverine Power Cooperative Board of Directors as one of Cherry Land's two board representatives. For those of you who aren't familiar with the governance structure of Wolverine, uh, Wolverine is owned by Cherry land members and the members of four other distribution cooperatives throughout the state. And as a result of that, we all have governance oversight of the decisions being made at Wolverine by electing two Cherry Land Board members to represent us in the Wolverine uh, boardroom. So one of those will be Melinda Latner moving forward. Those are the main items of note at this board meeting. If you have any questions about any of these things, feel free to reach out to me. Otherwise, our next board meeting is April 24th, and as always, we will start that board meeting with member input at 9:00 AM Join us next time for more co-op Energy Talk.