



 **ANNUAL REPORT**  
CHERRYLAND ELECTRIC COOPERATIVE

**2016**



Terry Lautner President

# Cherryland Plans For The Future

**99.98% reliability. That's a number we are proud to share with our members!**

The staff at your co-op works hard every day to keep our lights on. That doesn't mean just restoring the power during an outage. Keeping the lights on means being proactive in planning for the future.

And that's our role as your board of directors.

As the co-op's electrical infrastructure ages, we continue to invest significant time and money in ensuring that our 3,000 miles of lines will remain strong and reliable. In 2016 alone, we oversaw the investment of \$6.6 million in system rebuild, maintenance and upgrades. This was accomplished while sustaining adequate margins and retiring \$3 million in capital credits to fellow members.

I am proud of how the staff has responded to the members' growing interest in renewable energy. Last year, Cherryland introduced a new set of solar options, including a new community solar program. This gives members more chances to be a part of clean energy firsthand.

In 2016, Michigan's Legislature passed a new energy bill, increasing utilities' renewable energy mandate. While others scramble to meet that mandate, we've already exceeded it with our state-leading renewable energy portfolio.

Three of your board directors also sit on the Wolverine Power Supply Cooperative Board. While the new energy bill was being debated, we worked with Wolverine to preserve the choice market. Keeping choice intact is important to the longevity of your co-op's power supply.

While other utilities struggle to secure power supply for their future, Cherryland and Wolverine continue to invest in yours. This year Wolverine completed two big projects: the natural gas Alpine Power Plant near Gaylord and the Deerfield Wind Project in Huron County. These projects together added another 582 megawatts of reliable and diverse energy generation to our portfolio.

All in all, these successes can be credited to the quality of people on your board and at the co-op. In 2016 we lost one of those quality people: our cherished friend and board member Rick Deneweth. His impact on Cherryland, Wolverine and our community is immeasurable. You couldn't have asked for a better advocate for Cherryland and the cooperative way. We will work hard to carry on his legacy.

As we look to the future, we are going to have to make some tough decisions. In late 2017 or early 2018, we anticipate our first rate increase in six years. Being members just like you, it is a decision that will not be taken lightly.

In 2017, we will keep moving forward. I look forward to seeing you at the Annual Meeting and talking to you about all your co-op is doing to secure a safe, reliable and affordable future for all its members.

Cooperatively yours,  
Terry Lautner



**While other utilities struggle to secure power supply for their future, Cherryland and Wolverine continue to invest in yours."**



**COVER:**

Cherryland Electric Cooperative lineworkers catch sight of a rainbow on a perfect autumn day.

*Photo — Dave Bott*

# Notice Of Annual Meeting

## Cherryland Electric Cooperative

**The Annual Meeting of the members of Cherryland Electric Cooperative will be called to order at Incredible Mo's in Grawn, Mich., at 5:30 p.m. on Thursday, June 15, 2017. The following items will be brought before the members for their action:**

1. The reports of officers, directors and committees.
2. The election of two directors, one from Leelanau County and one At-Large, for a term of three years each. The affirmative vote of a plurality of the members voting is required to elect an individual as a director.
3. Other business properly brought before the membership.

Registration will begin at 4 p.m.

— *Melinda Lautner, Secretary*



## Meet The Candidates

### LEELANAU COUNTY



**Tom  
Van Pelt**  
*(Incumbent)*

*Cherryland member  
since 1983*

As the senior vice president of Cherryland's board, I am proud of the way our cooperative has met its challenges and made life easier for our members.

During my time on your board of directors we have:

- Returned nearly \$28 million in patronage capital to our members;
- Helped area businesses with our zero-interest revolving loan program;
- Overseen our electric rates go from approximately 30 percent higher than Consumers Energy to more than 10 percent lower, all while improving reliability.

We know there will be more challenges ahead. That is why it is important to have someone with experience representing you on the board. My extensive experience in utility rates, productivity and efficiency will become even more important for Cherryland in the next few years.

I was just elected by my peers on the Cherryland board to represent Cherryland on the Wolverine Power board (our power supplier).

I understand the importance of providing the quality electric service that you have come to expect—and deserve.

My background includes involvement with our northern Michigan community. I belong to a number of statewide organizations and I am a captain on the Leelanau Township Emergency Services Squad.

I am a graduate of Michigan State University, with a bachelors degree in horticulture. My wife and I have two grown daughters, Sarah and Becky, and own and operate our family's fruit farm in Leelanau County.

I would appreciate your vote again to be a Cherryland Electric Cooperative board member.

# Meet The Candidates (Continued)

## AT-LARGE



**David Schweitzer**  
(Incumbent)

*Cherryland member since 1994*

In January, I was honored to be selected by the board to fill the open position left by the untimely death of Rick Deneweth. My background as a Chartered Financial Analyst (CFA) fits well with the financial challenges and analyses that Cherryland will be confronted with in the future. My number one priority is to make sure that Cherryland delivers and maintains safe, reliable and cost-effective electricity to your homes and businesses.

Shortly after joining the board, I attended a six-day electric cooperative director training program where we discussed the issues that electric cooperatives face now and in the future. High-speed fiber optic cable and renewable energy, such as solar and wind, were major discussion points. Renewable energy, of which Cherryland has been a leader in Michigan, continues to be an ever-increasing percentage of our energy mix. These opportunities present challenges

as well. I can assure you that as a member of your board, I consider it my duty to ensure that any new initiatives are done in the most economic and cost-effective manner.

I have been in the investment advisory business for 30 years and am the owner of Schweitzer Capital Group in Traverse City. For the last 20 years, I have been an active member of First Congregational Church where I served on the Board of Trustees as well as several other boards. I enjoy teaching and taught corporate finance and economics at Davenport University for 10 years. My volunteer activities include Meals on Wheels and Single Momm. My wife, Deb, and I have been married for 30 years and have two adult daughters, Nikki and Alex.

I am very excited to have the opportunity to continue serving on your board and would appreciate your vote.



**Cheryl Gore Follette**

*Cherryland member since 1991*

I am a fourth-generation native, raised on an Old Mission Peninsula cherry farm. I graduated from TC High; attended NMC, MSU and Cooley Law School. I've owned a local small business for almost 30 years. My husband and I have been Cherryland Electric members for 26 years, and both of our daughters and their husbands and our four (almost five!) grandchildren are members too.

I've always been active in the community. I was elected four times to the Northwestern Michigan College Board, serving 22 years, including three as chair. I'm a past president of the Zonta Club of TC, a service club of business and professional women, where I've been a member for 25 years. I was recently elected as a commissioner for Grand Traverse County, where I serve on the Economic Development Board, the Parks & Recreation Board and the Brownfield Redevelopment Authority.

As a long-time member, I've watched with interest as the co-op has explored new energy sources and implemented cutting-edge delivery systems. It is this balance, between the traditional, reliable sources of energy and the challenge of innovative, hard-to-imagine technologies that has to inform the conversation around energy going forward. Cherryland's "first-in-the-state" metering system that allows the co-op to monitor and provide feedback on actual use is one such technology. By perhaps incentivizing reduction of use during peak hours, this state-of-the-art metering system has the potential to save both energy and dollars.

These are challenging but exciting times to be in the energy market. I hope that my track record of public service and my commitment to being prepared and asking the tough questions will convince you to give me your vote. Thank you.



**Dan Hubbell**

*Cherryland member since 1977*

I am running for the At-Large position on the Cherryland Electric Cooperative Board for 2017 and would appreciate your support. I have been a member of Cherryland since 1978 when we began our "sustainable" farm adventure in Leelanau County.

I am 64 years old and married to Barbara Hubbell for over 30 years. We have four children. I grew up in the Grand Traverse area (on Old Mission Peninsula), graduated high school, graduated college, came back home and bought the farm, then went back to school to obtain my law degree in 1985, then came back home again. I have been a practicing attorney in the Grand Traverse area for over 30 years as principal in my law firm.

As owner/operator of a "sustainable" farm operation, I have a great interest in sustainable clean energy. As a long-time business owner, I support the balance between clean renewable energy and realistic financial constraints.

If elected, I pledge to be true to our mission statement: "Member Focused, Safe, Reliable, Affordable." I pledge to continue the co-op's commitment to community and economic development. I also pledge support of Cherryland's leadership in the area of renewable energy.

I bring substantial experience in serving on boards both public and private. I am past chair of the Centerville Township Planning Commission, past chair of the Grand Traverse Chamber of Commerce Leadership Grand Traverse Program, past chairman of the American Shire Horse Association, past board member of the Northwestern Michigan Fair, current chair of the American Shire Horse Educational Foundation and have been chairman of Conservation Resource Alliance since 2000. I am currently serving on the Leelanau County Planning Commission, trustee for Centerville Township and the Centerville Township Planning Commission.

I would truly enjoy serving you and ask for your vote.

## AT-LARGE



**David Petrove**

*Cherryland member since 2001*

Wally, my first great-grandson, was born last year, so the chance to serve on the Cherryland board is an opportunity for me to help build a better future for him. All of our children and grandchildren should be priorities because the choices we make today may have profound consequences in the future.

Also last year, Cherryland made some major changes with community solar and the net-metering policy which will seriously impact the profitability of the residential solar market. Was this a decision to head off rising costs? That seems unlikely because the total cost for solar on a monthly bill of \$100 would still be less than a quarter.

Now, to quote Tony Anderson: "Our 2017 budget doesn't look positive" and we are borrowing almost two-thirds of what we need to survive, and we can expect more rate increases after this election.

But, Cherryland still doles out "Capital Patronage Credits" of \$3–4 million per year. Rather than invest in

grid improvements and solar panels, we get Christmas gifts paid with our credit card.

At least 80 percent of Cherryland members are rural households, with a high potential for windmills and solar panels. When Cherryland doles out zero interest loans to local businesses, some of that money should be made available to help us get started in the generating business.

I see the world from the perspective of someone who spent his life working, creating and dreaming of a better future in my time and beyond.

Help steer Cherryland toward environmentally clean and sustainable energy instead of feeding the costly fossil-fuel beast from the past. When this cooperative was formed 79 years ago, members were reading by candlelight and changing to electricity wasn't cheap.

It is safe to assume a lot of candlestick makers opposed the changes.



**Nicola Philpott**

*Cherryland member since 2014*

I've been very impressed with Cherryland's work ethic, superb service and their commitment to the local community. As a parent of children attending a local elementary school, I have collaborated with Cherryland twice before—once to obtain funds for school library books and a second time to organize rebates for parents that had purchased LED light bulbs through a school LED program. *Michigan Country Lines* published an article about our LED program in their September 2016 issue. Both programs were an outstanding success thanks to the enthusiasm and support of the Cherryland staff and board members.

My background is in research science (I have a doctorate in biochemistry). As a scientist, I am very aware of the impacts of climate change and the effects that volatile weather is starting to have on northern Michigan. We are already seeing an impact on our farming, winter sports and natural resources and if

climate change continues to escalate, tourism will decline and local business will suffer.

To protect ourselves from the effects of climate change, we need to continue the transition to renewable energy. This is an exciting prospect as it will create jobs and provide us with more economic stability. Indeed, with time, renewable energy sources such as wind and solar will become our only economically-viable option. As a parent of young children, I want to lay the foundation for a cleaner, more sustainable future. Not only because it's my parental instinct to do so, but because it will be easier for us to tackle climate change now, than it will be for future generations, when the impacts become more acute. We should welcome innovation and the economic opportunities that renewable energy provides. I'm enthusiastic about working with Cherryland to provide a more sustainable future and safeguard our way of life.



**Linda Wasielewski**

*Cherryland member since 2017*

Like many, I was raised downstate, but I have lived here for 23 years, this region is now my home. I care profoundly for the land, the water, the air quality and the people.

Cherryland Electric, as a cooperative, focuses upon the members, delivering energy in a safe, reliable and affordable way. We will have challenges in the future. Energy will continue to be vital for our citizens and businesses. We must balance responsible stewardship of our environment with providing energy to members at a cost-effective rate. We live in a constantly changing world and the rate of change has accelerated. It is important to embrace new technologies that will assist us in meeting our goals.

As both a consumer and a resident of northern Michigan, I look forward to the challenge of maintaining Cherryland's leadership position. I will roll up my sleeves to maintain and improve Cherryland's reliance upon renewable energy, while keeping a close watch upon the cost to our members.

I am a local business owner. As a solo practice attorney in Traverse City, I strive to meet the needs of my clients in a cost-efficient manner, while maintaining a high level of professionalism and expertise—always searching for new technologies to assist in the delivery of high quality legal services.

I am a participant in our community. I serve on the board for Zonta of Traverse City. Previously, I was president of my homeowners association and president of the board for First Congregational Church.

I am a graduate of Michigan State University, Wayne State University Law School, and Walsh College. I raised two children, now adults, in the Traverse City area.

My education, legal experience, leadership strengths, analytical skills, and work ethic would assist Cherryland Electric moving into the future. I am committed to working, living, and loving this Grand Traverse region.

# Balance Sheet

ASSETS	Audited Dec. 31, 2016	Audited Dec. 31, 2015
<b>Current</b>		
Cash	\$ 2,582	\$ 22,955
Receivables, net	6,341,748	6,930,412
Inventories	608,805	555,408
Other	554,544	635,922
<b>Total Current Assets</b>	<b>7,507,679</b>	<b>8,144,697</b>
<b>Property, Plant and Equipment</b>		
Electric distribution plant	91,275,604	85,598,309
Non-utility plant	12,064,848	11,586,995
	103,340,452	97,185,304
Less accumulated depreciation	33,985,419	32,205,369
<b>Net Property, Plant and Equipment</b>	<b>69,355,033</b>	<b>64,979,935</b>
<b>Other Assets and Investments</b>		
Restricted Cash	250,475	141,048
Investments in associated cooperatives	32,418,264	32,789,950
Investments in subsidiaries	800	800
Capital term certificates	926,125	939,015
Other assets	1,960,287	2,228,575
<b>Total Other Assets and Investments</b>	<b>35,555,951</b>	<b>36,099,388</b>
<b>TOTAL ASSETS</b>	<b>\$ 112,418,663</b>	<b>\$ 109,224,020</b>
<b>LIABILITIES AND EQUITIES</b>		
<b>Current Liabilities</b>		
Lines of credit	\$ 4,393,280	\$ 11,882,540
Checks issued against future deposits	766,112	310,979
Accounts payable	3,593,546	3,642,508
Accrued expenses	1,369,482	1,229,564
Member deposits and advances	566,288	625,297
Current maturities of long-term debt	2,532,012	2,274,444
<b>Total Current Liabilities</b>	<b>13,220,720</b>	<b>19,965,332</b>
<b>Unamortized gain on early extinguishments of debt</b>	<b>348,800</b>	<b>414,200</b>
<b>Post-retirement benefit obligation, other than pensions</b>	<b>167,028</b>	<b>345,214</b>
<b>Long-term debt, less current maturities</b>	<b>52,185,472</b>	<b>41,727,799</b>
<b>Total Liabilities</b>	<b>65,922,020</b>	<b>62,452,545</b>
<b>Equities</b>		
Memberships	-	238,721
Patronage capital	43,133,989	41,977,882
Current year margins	3,362,654	4,554,872
<b>Total Equities</b>	<b>46,496,643</b>	<b>46,771,475</b>
<b>TOTAL LIABILITIES AND EQUITIES</b>	<b>\$ 112,418,663</b>	<b>\$ 109,224,020</b>

The balance sheet and statement of operations show the results of the cooperative's electric operations for the calendar year 2016. The Dec. 31, 2016, balance sheet and the related statement of operations for Cherryland's electric operations were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of preceding years. In my opinion, the statements shown here present the financial position of the cooperative's electric operations at Dec. 31, 2016, and the results of its electric operations for the year under review, according to the information and explanation shown on the records of Cherryland Electric Cooperative.

– Jon Zickert, Treasurer

# Statement Of Operations

	Audited Dec. 31, 2016	Audited Dec. 31, 2015
<b>Net Revenues</b>	<b>\$ 50,019,394</b>	<b>\$ 49,224,783</b>
<b>Operating Expenses</b>		
Cost of power	33,259,017	32,920,422
Depreciation and amortization	3,264,754	3,114,803
Distribution—maintenance	3,059,030	3,284,481
Administrative and general	2,468,783	2,407,441
Member service and information	1,420,363	1,375,427
Distribution—operations	1,140,753	1,058,491
Member accounts	1,035,957	982,434
Taxes—property and other	1,033,138	974,759
<b>Total Operating Expenses</b>	<b>46,681,795</b>	<b>46,118,258</b>
<b>Operating Income</b>	<b>3,337,599</b>	<b>3,106,525</b>
<b>Other Income (Expense)</b>		
Income from associated cooperatives	2,006,813	3,123,983
Interest expense on long-term debt	(1,885,795)	(1,684,343)
Other income (expense)	(95,963)	8,707
<b>Total Other Income (Expense), Net</b>	<b>25,055</b>	<b>1,448,347</b>
<b>Net Income</b>	<b>\$ 3,362,654</b>	<b>\$ 4,554,872</b>

Copies of the cooperative's audited financial statements are available upon request.

## Consumer Cooperative Act Disclosure

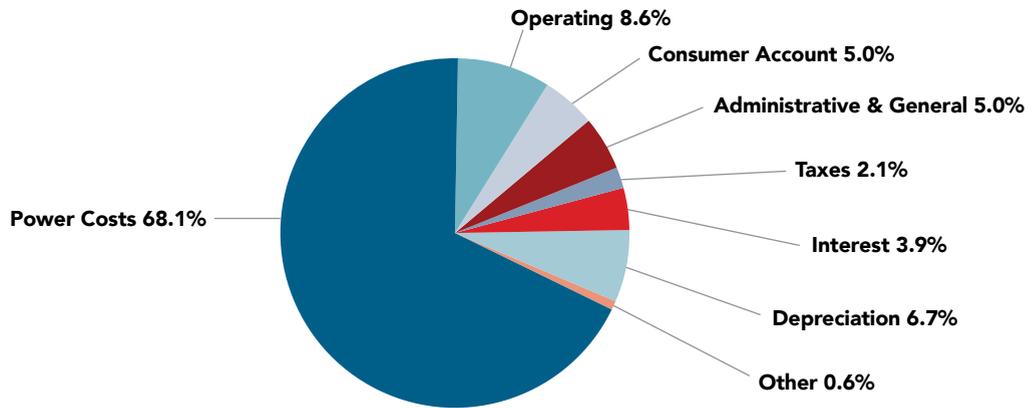
Name	Address	Email	Title	Term*
<b>Tony Anderson</b>	5930 U.S.-31 South Grawn, MI 49637	tanderson@cherrylandelectric.coop	General Manager	
<b>Terry Lautner</b>	13718 S. Bugai Road Traverse City, MI 49684	tlautner@cherrylandelectric.coop	Director At-Large President	2018
<b>Tom Van Pelt</b>	6961 N. Overlook Road Northport, MI 49670	tvanpelt@cherrylandelectric.coop	Director, Leelanau Senior Vice President	2017
<b>Melinda Launter</b>	12708 S. Solon Road Cedar, MI 49621	mlautner@cherrylandelectric.coop	Director At-Large Secretary	2019
<b>Jon Zickert</b>	15811 Nuthatch Drive Thompsonville, MI 49683	jzickert@cherrylandelectric.coop	Director, Benzie/Manistee/Wexford Treasurer	2019
<b>Betty Lien</b>	1258 Lake Drive Traverse City, MI 49684	blien@cherrylandelectric.coop	Director, Grand Traverse/Kalkaska	2018
<b>John Olson</b>	3846 Bay Valley Williamsburg, MI 49690	jolson@cherrylandelectric.coop	Director At-Large	2019
<b>David Schweitzer</b>	4562 Ground Pine Trail Traverse City, MI 49686	dschweitzer@cherrylandelectric.coop	Director At-Large	2017

\*All terms expire in June

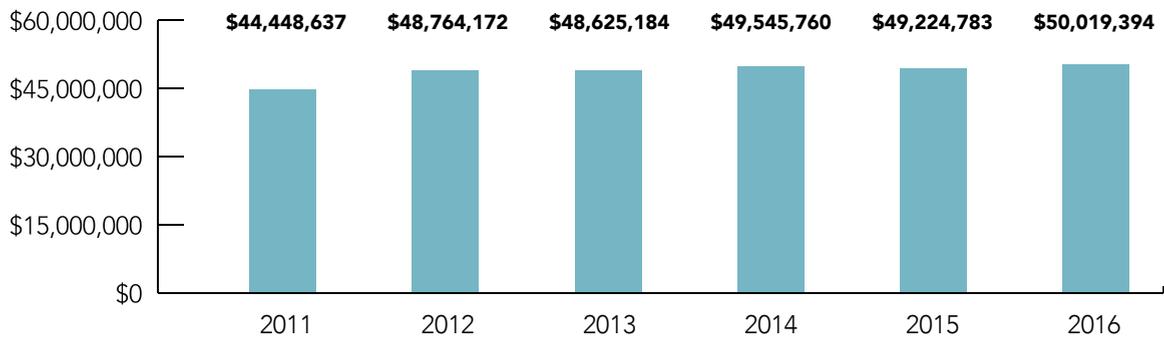
Board members are compensated \$1,000 per board meeting. General Manager is compensated \$238,069 annually.

# Financial Overview

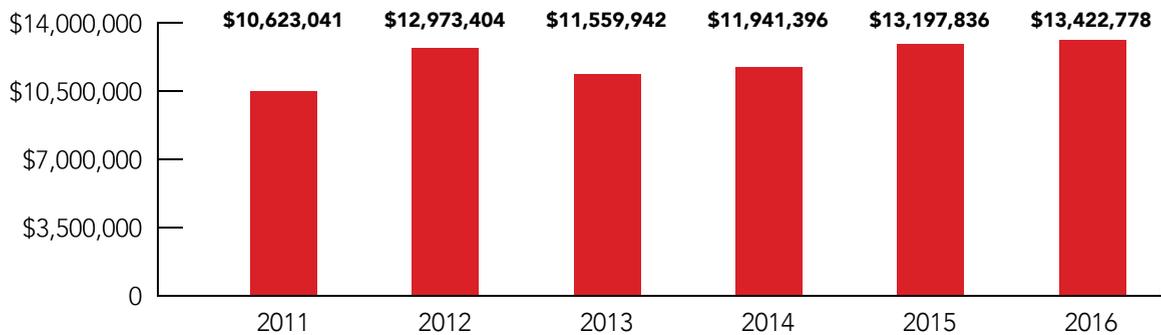
## 2016 Cherryland Electric Cooperative Expenses Per Dollar



## Cherryland Electric Cooperative Revenues



## Cherryland Electric Cooperative Operating Expenses



## Schedule Of Patronage Assigned To Members

