



# ANNUAL REPORT

CHERRYLAND ELECTRIC COOPERATIVE

2017



**Terry Lautner**  
Board President

# A Year For The History Books

**This year Cherryland celebrates its 80th anniversary serving the members of northwest Michigan.** Since that first flip of a light switch, Cherryland's 80-year history has been filled with big moments that shaped us into who we are today.

This past year was no different. Your board of directors, co-op staff, and fellow members have taken steps that made this year "one for the history books." Here are some highlights:

“  
**The past 12 months are important in our co-op's history, but it's just the start.**  
”

- We maintained our aggressive approach to investing in the co-op's infrastructure and it paid off. Thanks to the hard work of co-op staff, Cherryland finished 2017 with a reliability percentage of 99.98 for the second year in a row.
- We've taken a similar approach to returning the co-op's profits back to the membership. Last year, your board voted to retire \$2 million in capital credits to the membership. Over the past nine years, we've retired over \$20 million in capital credits.
- The co-op's three solar programs are a big hit, especially the buy-all sell-all program. To date, members who've signed up for the buy-all sell-all program have built 300 KW of solar arrays on their properties with another 2000 KW in progress. We are happy to see the membership take an active role in the co-op's renewable energy goals.
- Last October, after talking with fellow members during our two public meetings, your board voted raise the co-op's monthly availability charge for the first time in seven years. It wasn't an easy decision, but we knew it was necessary to continue delivering the reliable service members deserve.
- Cherryland staff worked with the state as well as our local community action agency to unroll Michigan's first energy efficiency and renewable energy program for low-income consumers. This pilot program gives low-income members the chance to participate in clean energy initiatives when they normally wouldn't have the funds to do so.
- 2018 started off with big news from our power supplier. On January 1, Wolverine Power Cooperative announced that we would now be powered by 56 percent carbon-free energy. The long-term nuclear energy contracts that got us there ensure our power remains cost-competitive and reliable for years to come.

The past 12 months are important in our co-op's history, but it's just the start. We will have plenty of big moments over the next 80 years.

Thank you and I look forward to being with you all at our Annual Meeting in June.

Cooperatively yours,

Terry Lautner



**COVER:**

Cherryland's 1941 Ford truck glistens with morning dew at the Northwestern Michigan Fairgrounds.  
Photo — Shannon Mattson

# 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, Michigan, at 5:30 p.m. on Thursday, June 21, 2018. 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 At-Large and one from Grand Traverse/Kalkaska County, 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

### AT-LARGE



**Terry  
Lautner**

*(Incumbent)*

*Leelanau County  
resident*

*Cherryland member  
since 1984*

#### **What is your occupation?**

I am a Leelanau County native and own and operate a dairy and cherry farm in Elmwood Township with my wife Cathy. We have three adult children and one grandson. I have a degree in dairy science from Michigan State University and am a member of the Michigan Milk Producers Association.

#### **What organizations are you currently involved with?**

I serve on the Wolverine Cooperative board as a representative of Spartan Renewable Energy Co., a co-op owned subsidiary. I am an Elmwood Township trustee and a member of Bethlehem Lutheran Church. Currently I am president of the Cherryland board of directors and have achieved the gold certification for director training through NRECA.

#### **Why are you interested in serving on the board of directors?**

The nature of my business requires a reliable and affordable supply of electricity and that is what I am

committed to having Cherryland provide for us. My passion for this co-op and rural northwest Michigan runs deep.

#### **How will your skills, connections, resources, and expertise benefit the cooperative?**

I'm proud of our record of returning patronage capital, nearly \$30 million dollars, being a leader in renewable energy resources, having the highest reliability of any area utility and rates more than 10% less than Consumers Energy. I'm proud of the role I've been able to play in making Cherryland a recognized leader in innovation, rapid outage restoration and forward thinking among all cooperatives nationwide.

Thank you for your support in the past, and I ask for your vote in this election so we can continue to make Cherryland a co-op we can all be proud of.

# Meet The Candidates (Continued)

## AT-LARGE



### **Nicola Philpott**

*Grand Traverse County resident*

*Cherryland member since 2014*

#### **What is your occupation?**

I have a doctorate in biochemistry and spent 16 years working in research science. In the latter 5 years I ran my own research laboratory. I resigned my position as a research professor to become a stay-at-home parent. My plan was to resume my career after my youngest started kindergarten, but I have been side-tracked by the imminent risks associated with climate change. Instead of teaching, I now volunteer for the Citizens' Climate Lobby and have become a co-leader of the local Northern Michigan chapter.

#### **What organizations are you currently involved with?**

I have two elementary school children and, as vice-president of their school Parent Teacher Organization, I have collaborated with Cherryland twice before—to obtain funds for school library books and to organize rebates for parents that had purchased LED light bulbs.

#### **Why are you interested in serving on the board of directors?**

All of us in Northern Michigan are experiencing the impacts of volatile weather on farming, winter sports and tourism. To protect our local economy and provide jobs for Northern Michiganders we need to continue our transition to renewable energy. Currently, Cherryland customers receive only 0.3% of their electricity from solar energy, so there is a lot of scope for improvement and a lot of opportunity to provide jobs in the local community.

#### **How will your skills, connections, resources, and expertise benefit the cooperative?**

Wolverine Power provides Cherryland with solar energy. I visited their Spartan Solar array and was so impressed that I applied for a subscription. In the first three months these solar panels provided more than 50% of my household electricity. Therefore I have first-hand knowledge of Cherryland's renewable energy facilities, their excellent rebate program, and community outreach work.



### **Daniel VanHouten**

*Grand Traverse County resident*

*Cherryland member since 1980*

#### **What is your occupation?**

I'm a retired Master Electrician.

I graduated from Northwestern Michigan college with a degree in Business Management and Electro-Mechanical technology.

I ran my own Electrical Contracting business for ten years, wiring residential, and commercial facilities. For nine years I worked as the Master Electrician for a local automotive parts supplier. Overseas I was employed for an electrical contractor in Afghanistan upgrading wiring safety issues for our troops.

More recently I worked on power substations, including the Chandler substation and the Mackinaw High Voltage Direct Current converter substation.

#### **What organizations are you currently involved with?**

I'm a volunteer courier for Michigan Blood and I serve on the Acme Township Planning Commission.

#### **Why are you interested in serving on the board of directors?**

Since one of Cherryland's priorities is electrical safety, I will work to inform its members to upgrade things such as outdated overhead electrical service entrance cables, defective ground fault interrupters and surge suppressors, to help make all members aware of potential electrical hazards.

#### **How will your skills, connections, resources, and expertise benefit the cooperative?**

My diverse education and work experience gives me a better understanding of the power distribution needs for both the cooperative and its members.

I will work with the other directors to benefit both Cherryland and its members, by applying my education and experience making economic viable decisions that will continue to be cost effective.

I would also like to encourage more Cherryland members to join their Action Committee for Rural Electrification.

## GRAND TRAVERSE/KALKASKA COUNTY



### **Gabe Schneider**

*(Incumbent)*

*Grand Traverse  
County resident*

*Cherryland member  
since 2006*

#### **What is your occupation?**

I am the founder and principal of Northern Strategies 360, which provides comprehensive government relations services to businesses and organizations including Munson Healthcare and Northwestern Michigan College.

#### **What organizations are you currently involved with?**

I currently serve on the Cherryland Electric Cooperative board and was appointed to this position in June of 2017. I also serve on the Traverse City Downtown Development Authority Board as Treasurer, on the Adams Chapter of Trout Unlimited Board as a Director, on the Traverse City Area Chamber Government Relations Committee as a member, and with TART Trails, Inc. as a trail champion and volunteer.

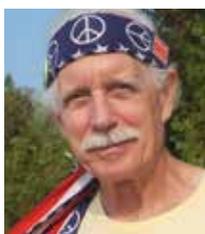
#### **Why are you interested in serving on the board of directors?**

I am interested in continuing to serve on the board because I am deeply committed to the region,

Cherryland and our members. I strongly believe in our mission of being Member-Focused and providing Safe, Reliable and Affordable electricity. I also look forward to continuing to support the leadership and commitment that Cherryland has demonstrated in achieving a 56 percent carbon-free fuel mix as of January 1, 2018.

#### **How will your skills, connections, resources, and expertise benefit the cooperative?**

As a husband and father of two who has chosen to be an entrepreneur and small business owner in northern Michigan, I bring a unique perspective and broad base of relationships to the Board from throughout the region and the state. I also bring my many years of experience and knowledge navigating state and federal legislative and regulatory bureaucracies, which would be a tremendous asset to the Board as we help guide the Cooperative through an ever-changing political and regulatory climate.



### **David Petrove**

*Grand Traverse  
County resident*

*Cherryland member  
since 2001*

#### **What is your occupation?**

Fortunately, I am now retired from a lifelong machining career, which allows me time to be involved in more community activities. My occupation has changed from making machines run better to helping make democracy run better.

#### **What organizations are you currently involved with?**

When a friend or a good organization needs a helping hand, I am quick to volunteer. Today it is NMEAC, (Northern Michigan Environmental Action Council), next week it will be Northport Energy, plus too many political and environmental meetings and hearings. I don't understand why anyone in today's world is not more involved.

#### **Why are you interested in serving on the board of directors?**

My goal with Cherryland is to help build a better cooperative capable of providing more electricity, more affordably and more reliably, well into the future. I hope it is everyone's goal to tap into the

limitless natural energy sources that are waiting to be harvested. A director needs a vision of where to go. No one can lead by looking backwards. I will bring a refreshing perspective to the Cherryland board, with a positive attitude to support and reinforce the democratic foundation of this member-owned cooperative.

#### **How will your skills, connections, resources, and expertise benefit the cooperative?**

Some new visionary skills will help to make Cherryland's next eighty years even better.

Every system, from the smallest business to the greatest empire, has collapsed because it has failed to adapt to a changing world and a changing environment. We want our electricity to come from good sources. We can tolerate some fossil fuels, but we should not stop replacing coal power with wind and solar, just because we have passed the mandated minimum. We should keep adding clean, renewable, natural-energy resources until we have zero polluting fossil fuels.

# Balance Sheet

ASSETS	Audited Dec. 31, 2017	Audited Dec. 31, 2016
<b>Current</b>		
Cash	\$ 157,117	\$ 2,582
Receivables, net	7,631,335	6,341,748
Inventories	609,114	608,805
Other	526,498	554,544
<b>Total Current Assets</b>	<b>8,924,064</b>	<b>7,507,679</b>
<b>Property, Plant and Equipment</b>		
Electric distribution plant	96,724,622	91,275,604
Non-utility plant	12,201,352	12,064,848
	108,925,974	103,340,452
Less accumulated depreciation	36,118,047	33,985,419
<b>Net Property, Plant and Equipment</b>	<b>72,807,927</b>	<b>69,355,033</b>
<b>Other Assets and Investments</b>		
Restricted Cash	85,780	250,475
Investments in associated cooperatives	32,743,899	32,418,264
Investments in subsidiaries	800	800
Capital term certificates	906,046	926,125
Post-retirement benefit, other than pensions	149,134	-
Other assets	1,761,000	1,960,287
<b>Total Other Assets and Investments</b>	<b>35,646,659</b>	<b>35,555,951</b>
<b>TOTAL ASSETS</b>	<b>\$ 117,378,650</b>	<b>\$ 112,418,663</b>
<b>LIABILITIES AND EQUITIES</b>		
<b>Current Liabilities</b>		
Lines of credit	\$ 6,680,417	\$ 4,393,280
Checks issued against future deposits	555,059	766,112
Accounts payable	3,792,033	3,593,546
Accrued expenses	1,411,681	1,369,482
Member deposits and advances	588,698	566,288
Current maturities of long-term debt	2,684,912	2,532,012
<b>Total Current Liabilities</b>	<b>15,712,800</b>	<b>13,220,720</b>
<b>Unamortized Gain on Early Extinguishments of Debt</b>	283,400	348,800
<b>Post-Retirement Benefit Obligation, other than pensions</b>	-	167,028
<b>Long-term Debt, less current maturities</b>	53,200,359	52,185,472
<b>Total Liabilities</b>	<b>69,196,559</b>	<b>65,922,020</b>
<b>Equities</b>		
Patronage capital	44,391,619	43,133,989
Current year margins	3,790,472	3,362,654
<b>Total Equities</b>	<b>48,182,091</b>	<b>46,496,643</b>
<b>TOTAL LIABILITIES AND EQUITIES</b>	<b>\$ 117,378,650</b>	<b>\$ 112,418,663</b>

The balance sheet and statement of operations show the results of the cooperative's electric operations for the calendar year 2017. The Dec. 31, 2017, 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 as of Dec. 31, 2017, 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.

– David Schweitzer, treasurer

# Statement Of Operations

	Audited Dec. 31, 2017	Audited Dec. 31, 2016
<b>Net Revenues</b>	<b>\$ 50,606,630</b>	<b>\$ 50,019,394</b>
<b>Operating Expenses</b>		
Cost of power	33,492,712	33,259,017
Depreciation and amortization	3,453,799	3,264,754
Distribution—maintenance	2,870,547	3,059,030
Administrative and general	2,484,901	2,468,783
Member service and information	1,468,762	1,420,363
Distribution—operations	1,310,201	1,140,753
Member accounts	1,039,983	1,035,957
Taxes—property and other	1,005,703	1,033,138
<b>Total Operating Expenses</b>	<b>47,126,608</b>	<b>46,681,795</b>
<b>Operating Income</b>	<b>3,480,022</b>	<b>3,337,599</b>
<b>Other Income (Expense)</b>		
Income from associated cooperatives	2,514,099	2,006,813
Interest expense on long-term debt	(2,306,586)	(1,885,795)
Other income (expense)	102,937	(95,963)
<b>Total Other Income (Expense), Net</b>	<b>310,450</b>	<b>25,055</b>
<b>Total Margins</b>	<b>\$ 3,790,472</b>	<b>\$ 3,362,654</b>

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

## Consumer Cooperative Act Disclosure

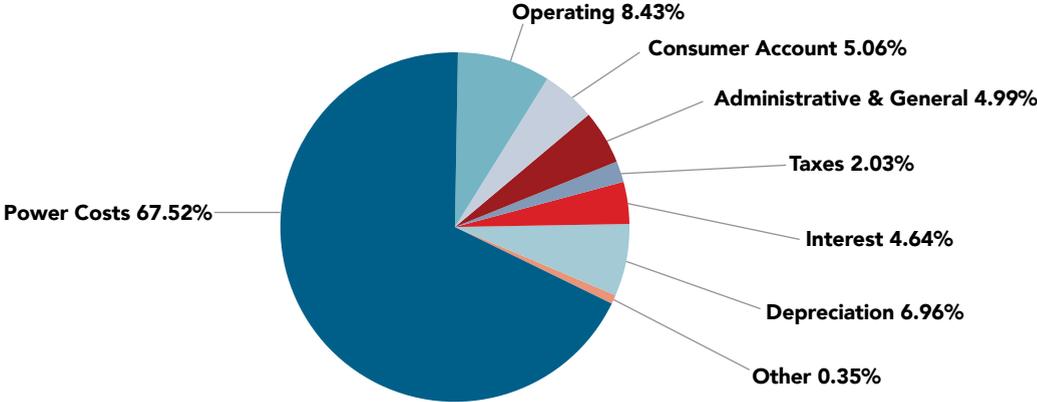
Name	Address	Email	Title	Term*
<b>Tony Anderson</b>	5930 U.S.-31 South Grawn, MI 49637	tanderson@cherrylandelectric.coop	General Manager	
<b>Terry Lautner</b>	13718 S. Bugai Road Traverse City, MI 49684	tlautner@cherrylandelectric.coop	Director At-Large President	2018
<b>Tom Van Pelt</b>	6961 N. Overlook Road Northport, MI 49670	tvanpelt@cherrylandelectric.coop	Director, Leelanau Senior Vice President	2020
<b>Melinda Launter</b>	12708 S. Solon Road Cedar, MI 49621	mlautner@cherrylandelectric.coop	Director At-Large Secretary	2019
<b>David Schweitzer</b>	4562 Ground Pine Trail Traverse City, MI 49686	dschweitzer@cherrylandelectric.coop	Director At-Large Treasurer	2020
<b>John Olson</b>	3846 Bay Valley Williamsburg, MI 49690	jolson@cherrylandelectric.coop	Director At-Large	2019
<b>Gabe Schneider</b>	5119 Silver Cove Drive Traverse City, MI 49685	gschneider@cherrylandelectric.coop	Director, Grand Traverse/Kalkaska	2018
<b>Jon Zickert</b>	15811 Nuthatch Drive Thompsonville, MI 49683	jzickert@cherrylandelectric.coop	Director, Benzie/Manistee/Wexford	2019

\*All terms expire in June

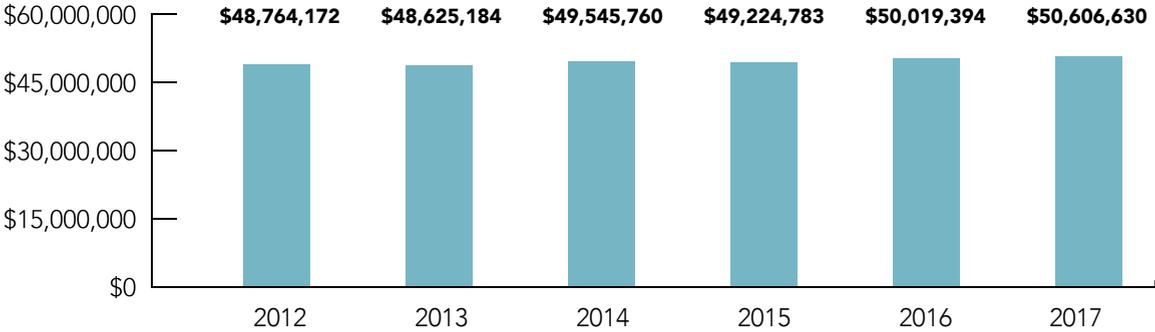
Board members are compensated \$1,000 per board meeting. General Manager is compensated \$255,008 annually.

# Financial Overview

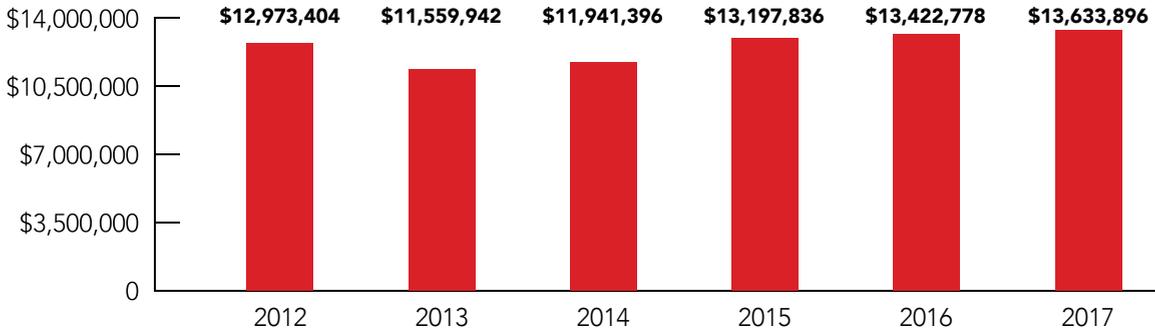
## 2017 Cherryland Electric Cooperative Expenses Per Dollar



## Cherryland Electric Cooperative Revenues



## Cherryland Electric Cooperative Operating Expenses



## Schedule Of Patronage Assigned To Members

