

Rachel Johnson ([00:07](#)):

[inaudible]

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I'm Rachel Johnson, the member relations manager here at Cherryland electric cooperative. October is national cooperative month. It is a month dedicated to celebrating the cooperative business model in the ways that improves our communities and the ways that it improves the lives of the people we serve. Uh, so Tony and I sat down recently and talked a little bit about what we think are the advantages of being a member of an electric cooperative. We also shared some exciting news for our members about what we are doing to help them, whether the pandemic and what they can expect to see on their October bill. So I'm not going to tell you what it is cause I want you to listen to the podcast, but please do listen in as Tony and I discuss the advantages of being a member of a cooperative and the ways in which Cherryland is serving our community through the pandemic.

Rachel Johnson ([00:53](#)):

Well, Tony, I'm, I'm really glad you could join me today. Cause I think our topic is one that's exciting and well, you and I both love talking about energy issues. I gotta be honest. The thing that's dearest to my heart is talking about our business model and what it allows us to do for the people we serve. So as you know, October is national cooperative month and I thought to kick us off, I would just ask you, like, what are you you've been in the electric cooperative business for a long time? What do you think are the top advantages of being a member of an electric cooperative?

Tony Anderson ([01:21](#)):

The top one for me is the member's only utility. It belongs to the membership and we've always tried to keep that in forefront. I've always tried to keep that in my heart. So I've liked that the best. And after that, it's the election of the board of directors. Uh, every member who buys electricity from us gets to elect their representative on the board. And we do that every year. We're able to keep our rates lower because we're cooperative because we're not chasing profits. We're not trying to satisfy stockholders. And because we're not chasing profits, we can put more of our money into our business, which increases our reliability and chitlins. Reliability is quite high. And then the last thing and also near and dear to my heart is a non nonprofit utility. Like a cooperative can be committed to the community. We do a lot of stuff in the community. Our employees have freedom to do stuff in the community and we spend a lot of money in the community, um, trying to better it for our members. So I that's where I'm at.

Rachel Johnson ([02:25](#)):

So there are a lot of good things. And I think, um, the, kind of the, the overarching theme there is that when we make decisions at Cherryland, it's always driven. We are, we have the luxury of having it always be driven by is this in the best interest of the people we serve and the community we serve in. And that's a real luxury when you're not having to necessarily chase a stakeholder profit or whatever, right. We're getting to say, Hey, look, is this the right thing to do for the community and the members? Great. Then let's do it. Yep. Um, so I, I want to talk about some cool things that we've been doing over the course of the pandemic, but before we get to that, I thought I would, um, kind of have you walk us through how the pandemic impacted the cooperative and kind of what, what from the shutdown to now, what has been the impact on Cherryland of, um, of the COVID pandemic?

Tony Anderson ([03:13](#)):

Well, th the impact of that, that's, that's a broad statement early on. We didn't know what the impact was going to be. You know, when the, when the pandemic hit, uh, we all went home, it was like, Holy crap, we got to go home. So we send everybody home and to Steve Weaver and Jim Bucknell, our is our I T team of two. They got all the employees home and working from home in short order, I think like a couple of days, um, we've had iPads for a long time. So the transition was, was quick to working from home and then it became, how do I learn zoom? How do I learn Microsoft teams? And how do we communicate? And honestly, I had some struggles with the communication because I like to walk around the office and find people and talk to them and, and knock it out.

Tony Anderson ([04:05](#)):

You have to, when everybody's working at home, you have to be more intentional about that communication. And that was a bit of a struggle for me, but we got through it and settled in within a month or so of this was our know normal. And then we've, we've slowly not everybody's back in the office, but a number of us are back in the office. So a lot of days feel like normal now, but it was certainly a big learning curve electronically. And the way I've managed for 30 years had to change for a time. And yeah, it wasn't easy.

Rachel Johnson ([04:43](#)):

So let's, let's pivot a little and talk about, um, the impact of some of our commercial members coming offline and what we saw with the co-ops finances and just, and just kind of some of that piece of how, how the pandemic has played out for us.

Tony Anderson ([04:58](#)):

Yeah. The impact on our, our financial statements was immediate because Krista mountain shut down, great Wolf lodge shut down, incredible most shut down. We're 95% residential, but those commercial accounts are huge to us. And they went to 60, they went to 40%, you know, 60% of their load went away. So that was a big hit to our bottom line in that first 30 days. So that the financial impact was immediate and sudden, and a little bit scary at the time. You know, we, we didn't know where it was going to go and how long it was going to go when we're talking about March and April, you know, um, and we didn't know what the usage was going to be of the residential people when everybody went home to work. So that's when we, we applied for the PPP loan because we just had so much uncertainty on where our finances were going to go in that first 60 days.

Tony Anderson ([06:00](#)):

And then as, as it evolved, you know, in months three, four, five, we saw that people working from home, they use a lot of electricity when the kids are home every day and mom and dad's home every day, the meters were spinning were, I don't know if 2020 will be a record year, but our residential sales more than offset the loss of commercial sales. So it put our financial condition in a very solid spot. We just didn't know it at the time, because there was just so much unknown in the beginning, but in the end, well, we're not at the end of the pandemic, but we're six months in. I'm not scared of where our revenue is going to be anymore. Commercial has come back or started to come back in June and July and August was really close to normal. And September I believe is very normal, so it was bumpy, but it was all at the start. It was just like stepping off a cliff into a hole. Yep.

Rachel Johnson ([07:01](#)):

And w and N, and back at that kind of those early stages, when we saw that immediate reduction in usage from our commercial accounts, the, you know, some of the other things we did is we had offered some extended arrangements to our commercial accounts. So we were decreasing our cash flow and revenue stream really early on. But I think it's important to make sure that our listeners are aware. We kept all of our staff on, and we were seen as an essential service. So we, we, we really couldn't, um, lay people off because we needed our linemen to be able to restore power. If the, uh, you know, if we had a storm or our staking engineers were still out working. So all of our employees were still working. We still had the same labor expenses, but we really did see an immediate reduction in, in, in cashflow and revenue. And we had no idea how long that was going to last. And that really played into that decision to take on some PPP,

Tony Anderson ([07:47](#)):

Reliability became more important during the pandemic because everybody was working from home, you know, they needed their power more than ever. So there was no way we could lay anybody off the lights still had to go on.

Rachel Johnson ([08:04](#)):

So then kind of in this, like, we'll say, let's go 60 days, right? So we're into the pandemic. We're starting to realize where our revenue's going to be. We're not quite stabilized, but I think, you know, it was really cool that still early on, we were looking for ways to help our members, even as we balanced our own cashflow and revenue issues. Can you talk about some of the things we did almost immediately to help the members?

Tony Anderson ([08:23](#)):

Yeah, absolutely. Almost immediately. We have a disconnect moratorium from November 15th of April 15th. We almost immediately extended that to may 15. And I think it went to June one, a little later. And then when people were members were calling us who had paid their bills all the time, never missed a payment, but they were calling us early saying, I may have trouble paying my bill. What do I do? We were making pay arrangements. We were removing their stress, whatever they needed, whatever they felt like their pay arrangements could be. If they good credit for a long while we gave that to them.

Rachel Johnson ([08:59](#)):

We suspended late fees at the same time in order to give even more flexibility if they couldn't pay at their normal due date,

Tony Anderson ([09:06](#)):

W we did shut down the lobby. So it was a little tougher, but we kept the drive-thru open. So we had that connection. Uh, we immediately, well within the first 30 or 40 days or so, we made a donation to father Fred and on a grand traverse County and the surrounding counties, and then echo down in Manistee County to key food banks in our service territory, we made sure they had some extra money to help people out with,

Rachel Johnson ([09:35](#)):

And that money was earmarked for energy assistance for Cherryland members. So those dollars went, we basically chose those two entities because they covered our whole membership and they were designed to be, um, kind of gap assistance. Coverage is the best way I can think to describe it. So if

someone maybe had already exhausted the available federal and state resources, this could be extra. Or if someone couldn't qualify, which happened to a lot of people early on, because they couldn't meet the income qualifications, they had just suddenly lost their jobs and didn't have much of a, um, a safe place to land. And so that was the, the kind of intention behind those two. Those two assistance programs was to help people pay their energy costs. Our members pay their energy costs when they had, when they had, you know, significant financial hardship at home as well.

Tony Anderson ([10:19](#)):

Yeah. We were keeping the lights on physically with our employees and financially with our donations to those key food banks, assistance agencies,

Rachel Johnson ([10:29](#)):

The other thing. And I think probably most of our listeners know this, but we do have a loan program where we loan to small or to businesses in the community. It's through USDA, it's called the rural economic development loan and grant program. We have about 20 businesses or so in that loan program. And we'd reached out to them early on and essentially offer loan forbearance. And we had several take us up on that.

Tony Anderson ([10:50](#)):

Yeah. Yeah. And the first 30 days we reached out to them because there's a lot of manufacturers retail. We have some restaurants in, in that lone group who were all affected by the shutdown. So we reached out to them and those that needed it, they took us up on it and we've, uh, suspended their payments for a time. Yeah.

Rachel Johnson ([11:09](#)):

So kind of, that's what we did early on, but then obviously you kind of already hinted at this, but as we moved into the summer, our sales picked up in addition to getting a greater increase in residential load than what we'd anticipated. It was very warm summer. So all those people stuck at home also wanted to air condition, those homes. And so we realized, wow, we're, we're really actually in a better financial position than, than any of us thought we would be back when this all started. And, uh, one of the things we know about cherry land's commercial and industrial load in particular is that we don't serve a lot of large businesses. You've mentioned crystal and great Wolf lodge, but the bread and butter of our commercial membership is small mom and pops, you know, 10 or less employee type businesses. And so an opportunity arose for us to do something for those small businesses. Can you talk through our partnership with venture North and what the chose to do for our business members in those? Yeah.

Tony Anderson ([11:56](#)):

What is an economic branch, economic development branch of the traverse connect formerly the Trevor city chamber. I'm an old guy. Who's always going to think of this paper, but it's, Trevor's connect now. And they do all kinds of economic development loans for small businesses, but they set up what's called the regional resiliency fund and a consumer's energy has donated to it. Uh, DTE is donated to it and Cherilyn made a \$50,000 donation to that entity. So they could help small businesses with small grants. They're not even loans, they're just grants and to the tune of \$2,000 to \$5,000 to help them get through, uh, a small rough patch. And you think \$5,000, isn't a lot, but to a small business, being run by a husband and wife, it can mean a lot. And when we can do 2000 to 5,000, we can spread that out to

multiple businesses instead of just a couple. And that was the goal of the regional resiliency fund is to help a large number of businesses in a small way, get through a tough time.

Rachel Johnson ([13:06](#)):

And one of the things that I think things that attracted us to the partnership with venture North is in addition to getting the grant, they got a lot of, um, extra services because as they go through the process to apply for the grant, let's say, they say, Hey, we've never sold online. We have to get a website venture North would come in and say, Hey, we've got a score partner who can help you with how best to optimize your search engine optimization stuff. So there, it was a really kind of a holistic program, but they, we did give out all that money in 20 different Cherryland member businesses were able to, um, receive a grant through that for all, all kinds of immediate needs. They had so very, very cool program. And I'm really glad our board decided to do that.

Tony Anderson ([13:44](#)):

And every one of those people, like you just said, are Cherryland members that's again, another instance where we limited our donation to make sure it affected and reach, uh, Cherryland members.

Rachel Johnson ([13:57](#)):

Yep. So, um, we've talked about what we've done, but we're not done yet. And this is, this is the exciting part of the podcast. So thanks to everyone for staying along for the, to get to this point. Um, you know, the programs we talked about so far were really geared towards a subset of our membership. Maybe, you know, people who are really having a hard time paying their bills or our commercial members, but we really also saw an opportunity given the fact that the co-op sales were going well to do something for the whole membership. So you can, can you talk about what's going to happen for our members in October?

Tony Anderson ([14:27](#)):

Absolutely. October, as everybody knows is cooperative month. So, because we are doing so well, our margins are high. Our margins are, our profits are, are, are high. We went to the board and suggested we give some money back to everybody who used electricity from us in 2020, we're calling it the cooperative advantage credit, and what's going to happen in October member. Who's paying them. Who's been paying a bill in 2020 is going to get a credit on their bill. In October, it's going to average about \$64 per member. And that's going to total \$2.5 million that instead of holding that and paying it back 20 years from now, our members are going to get it back today when they needed the most. And that will go to every member, residential and commercial,

Rachel Johnson ([15:17](#)):

The size of the credit is based on their proportionate share of our sales, our revenue in 2020.

Tony Anderson ([15:23](#)):

Yep. 10% of our revenue you'll get 10% of the, uh, two and a half million. It's some pretty simple math. It's a lot of math because we have 36,000 meters. But, uh, yeah, it's, it's \$2.5 million in cash that we'll go back into the community. You know, our average bill at Cherryland runs about a hundred dollars for 700 kilowatt hours. And so it's, it's 64% of a average bill that member won't have to worry about in October.

Rachel Johnson ([15:55](#)):

Yeah. And I, I really love the timing of this because I think if you look, there were initially a lot of stimulus programs and dollars out there, but one of the things we hear from the members we talked to today who are calling us as some of that stuff has started to really, um, dry up and at the same time, the need is still very great. We have members who still are just getting back to full-time or businesses who don't have, you know, have capacity limits. And so they can, they can't serve to as many people as they need to, to, to have the revenue, they need to sustain them through the winter. So I think the timing of doing this for our members right now is, is really, really cool. And obviously the fact that it's national cooperative month doesn't hurt.

Tony Anderson ([16:32](#)):

Yeah. A lot of things came together for that, for sure.

Rachel Johnson ([16:36](#)):

In your, can you remember, have we ever done a bill credit like this

Tony Anderson ([16:40](#)):

Before? I've been the Cherryland, it'll be 18 years this coming March. And I believe we wrote off a December bill in the past, maybe one time. Okay. It's obviously very, very rare. It doesn't happen a whole lot.

Rachel Johnson ([16:56](#)):

So, um, our members are though used to getting money back from us on a regular basis. They generally see that in December in the form of a capital credit retirement. And, uh, since we have our listeners here now, I thought we could talk about the fact that our board in their September meeting did approve a capital credit retirement for 2020. So, um, one announced what that's going to be

Tony Anderson ([17:18](#)):

That is going to be \$3 million in cash back to the membership in December. If you're, um, if you've been a member in, I believe it was 2001 is the, the old year we're going to pay off. If you were a member, then you'll get a credit on your bill in December. If you're still a member today, if you're a member in 2001 and are no longer on her lines, we'll have a check and we'll, we'll hunt you down and find you. But again, that's 3 million in cash going out into our community, into our region to support the local economy. Like, uh, I think that'll take us to about 27 million, maybe 27 and a half million over the past 11 years. We're on a really good streak of, uh, almost 10 years in a row of retiring capital credits. And this will add to that. And that's, that's just, uh, shows how strong this cooperative is doing.

Rachel Johnson ([18:14](#)):

Yeah, absolutely. And I think we can't reiterate that enough. The reason we're able to return those dollars is because of the financial health of the cooperative, which is really a Testament to the fiscal oversight of our board and the work of our employees to keep our costs down. And at the same time provide excellent service. And so it's, it's, it's exciting to be a part of a cooperative that is in a position to be as diligent with the retirement of capital credits as we have been. Um, and one other thing I'll mention, you talked about the year 2001, but the way the capital credit retirements work, 75% of that \$3 million will go back to those 2001 members. But 25% will go to member people who are members in 2019. So our more recent members will still see a credit on their December bill. That is representative of their portion of that 2019 retirement. So all in all, if you've been a member since 2001, between

October and the end of December, you're going to see some fairly significant, um, bill credits on your bill and the co-op as a whole is going to be pushing \$5.5 million back out into our community right now, which is just, I think, such awesome timing. And I think is going to make a really big impact.

Tony Anderson ([19:20](#)):

Yeah. The capital credit retirement is going to average \$79 per member,

Rachel Johnson ([19:25](#)):

Super user like me. I love electricity. So I was trying to get a little more of that pie.

Tony Anderson ([19:29](#)):

Yeah. I can hear so many people saying out there, out there that while your rates must be going up in 2021, because you've given away all this money and they're not w we last raised our rates, uh, in 2018. And I can sit here today and tell you we will not have a rate increase in 2021.

Rachel Johnson ([19:49](#)):

Yep. Yeah, it's just, it's just all good news. And, you know, we kind of started the podcast by talking about the top advantage of being a member of an electric cooperative. And I guess this is a bit selfish, but I want to end the podcast by talking about the top advantages of being a member of this specific electric cooperative. And, and I think that we just have shown a history of being so committed to supporting our community and supporting our members and making decisions based on with them in mind. And I think the fact that we are a part of an organization that can be such a powerful impact for good, during a really horrible and stressful pandemic, I feel really, um, I feel really lucky to be a Cherryland member personally.

Tony Anderson ([20:30](#)):

Yeah, absolutely. I'm, I'm beyond proud of bill credit and in October capital credits in December and no rate increase in 2021, and our reliability is 99.986 today for 2020. Yeah.

Rachel Johnson ([20:51](#)):

Boarding our local businesses, supporting our local nonprofits. I mean, it's just, it's just check the box after, check the box after, check the box. So pull-ups are awesome. Ours is particularly awesome. You and I probably have a little bias,

Tony Anderson ([21:01](#)):

I'm obviously biased, but with all the stress of the pandemic that we still have and have had, uh, it's just, it takes a lot of load off to know that our finances are in a position where we can help out even more if we could back in March.

Rachel Johnson ([21:19](#)):

Yep. And it feels good to be able to give people good news

Tony Anderson ([21:22](#)):

Right now. Yeah. So the good news

Rachel Johnson ([21:24](#)):

Is, especially for your Cherryland member listening, be on the lookout for your October. Bill will, you will, where you will see the cooperative advantage credit, and also your December bill where you'll see your capital credit retirement. Give us a call if you have any questions about either of those, um, credits. And I guess I would end this by saying while I appreciate that October is national cooperative month. I think cooperatives should be celebrated all year because we're clearly super, super awesome.

Tony Anderson ([21:50](#)):

No question.

Rachel Johnson ([21:50](#)):

Can we, can you, can you push that forward somehow, talk to talk to someone with a little more power.

Tony Anderson ([21:55](#)):

Yeah.

Rachel Johnson ([21:57](#)):

Well, thank you for joining me to talk about this. Um, and, and thank you for the work you've done to help get the co-op to be in the position we're in and to do that,

Tony Anderson ([22:05](#)):

What we're doing in the community. It's a team effort for sure, but I'm beyond proud to share this good news today, especially in these uncertain times, [inaudible].