

Cherryland Electric Cooperative – Payroll Protection Program
Updated 5/13/2020

As the coronavirus pandemic evolves, the economic impact of the pandemic on Cherryland is evolving as well. Cherryland is a private, independent business that was built by and belongs to the consumers we serve. The Payroll Protection Program (PPP) is intended to provide financial support to businesses impacted by the COVID-19 pandemic. The Cherryland Board of Directors voted to accept \$1.3 million in PPP support as we work to keep the lights on and provide local families and businesses with certainty during this uncertain time.

The reasoning behind the Board of Directors' decision to accept PPP support is multifaceted:

- The economic health of Cherryland is directly tied to the wellbeing of our community. We are seeing an increase in unpaid electric bills as local businesses close their doors and hardworking Michiganders lose their jobs. We expect the decline of tourism to have a significant and long-term effect on many of the businesses we serve and the people they employ.
- Maintaining minimal margins helps us keep our energy costs as low as possible, but this leaves a very limited reserve for us to sustain high rates of nonpayment and reduction in revenue from our closed commercial accounts. The Cherryland board sees the PPP loan as an important lifeline for our electric cooperative.
- As a not-for-profit electric cooperative, we regularly return excess margins to our members. We do not have shareholders and any excess margins we have will always be returned to our members.
- Cherryland has \$1.2 million in outstanding economic development loans with small businesses across the region. Many of those businesses are deferring paying back those loans and it is uncertain what the default rate might be on the loan program.
- As we rely more heavily on residential electric sales while businesses are closed down or reopening, mild weather and longer days are causing a decline in residential electric sales. Put simply revenue declines will require us to more deeply cut our expenses.

Here's how PPP dollars will be used to serve our members:

- We have had to cancel or pause all contract work for system maintenance in order to manage our expenses and keep all 58 of our employees on our payroll. PPP dollars will allow us to cover payroll expenses and a portion of our mortgage interest and utility costs while resuming the vital maintenance work that contributes to system reliability.

- Cherryland owns and operates critical infrastructure for 36,000 homes and businesses. The reliable, affordable electricity that we provide will help power economic recovery. By accessing PPP dollars, Cherryland can continue that vital work without undue financial burden to our members or rate increases on those we serve.

According to [research](#) by the National Rural Electric Cooperative Association, the nation's electric cooperatives could suffer up to \$10 billion in lost revenue through 2022 due to the COVID-19 pandemic. The coming months will more fully reveal the economic impact this will have on Cherryland and the members we serve.