

F E R G U S

FEATURES

Member Newsletter ♦ Fergus Electric Cooperative, Inc. , Lewistown, MT

Fergus Electric and Signal Peak Energy — A beneficial partnership for all co-op members

By Vangie McConnell

Fergus Electric will provide the needed electrical capacity to serve the Signal Peak Energy coal mine south of Roundup.

Named for a rock formation in the area, Signal Peak, Montana's only underground coal mine, is poised to become the most productive longwall mine in the country and maybe even in the world according to owners Ohio-Based Boich Companies and First Energy Corporation.

Fergus Electric crews worked for one month building a 5 MVA substation near the mine site. After selecting the location and pouring a concrete pad, two three-man crews framed and set 12 poles, installed a 50,400 lb.



To accommodate additional capacity for the Signal Peak Energy coal mine, Fergus crews spent one month building this substation. The two silos (center back) will hold coal waiting to be loaded on 150-car unit trains.

transformer and set three voltage regulators.

The substation, energized in February, will supply the increased load Signal Peak Energy needs for their coal preparation plant and mining equipment.

Consulting Engineers Heberly and

Associates and Outback Construction are working to complete a 50 kV transmission line from the NorthWestern Energy substation at Broadview to the coal mine – a distance of 30 miles.

Construction of a 35-mile rail spur is also underway. The spur will tie the coal mine in the Bull Mountains into the main line of BNSF Railway near Broadview, making it possible to

send coal to the Midwest and points east.

Currently, coal is trucked to Lockwood in Billings, where it is loaded onto train cars and shipped.

Ames Construction has spent almost a year working round-the-clock to complete the rail project. The railroad will have a 5.7-mile loop at the mine to accommodate two 150-car unit trains. A loading facility, to be built, will be capable of handling 7,000 tons of coal per hour. The owners foresee the mine producing 12.5 million tons of coal per year.

Formerly known as the Bull Mountain coal mine, the renamed Signal Peak Energy mine is expected to start shipping high-heat, low-pollution coal later this year.

72nd Annual Meeting

June 4, 2009

Fergus County Trade Center, Lewistown, Montana

Registration: 11 a.m. - 2 p.m.

Lunch: 12 Noon

Business Meeting: 1 p.m.

President's Report

It's hard to believe that another year has come and gone. A variety of issues occupied the staff in 2008.

Signal Peak Coal Mine

The most significant development is the addition of a large load south of Roundup – Signal Peak coal mine. This venture involved a great deal of employee and director time, but the project is coming together nicely, and Signal Peak is projected to become Fergus Electric's largest electric load.

The power supply contract was recently signed, and the transmission line from Broadview to the mine is nearing completion, as is construction on the new railroad. The new line should be energized by summer with this load helping to provide rate stability for the mine and for all members.



*Bob Evans
president*

Highwood Generating Station

The biggest issue of 2008 was our involvement in the Highwood Generating Station (HGS). Five years of planning went into the HGS project. The painful decision to put the development of the coal-fired generating plant on hold took place in the latter part of 2008. I won't go into all the details as to why the project has been delayed, but the main reasons are the inability to finance the project at an affordable interest rate and skyrocket-

ing costs, along with continuous environmental appeals.

Long-term Power

Our need for a stable long-term power source hasn't gone away, and we are looking at other supply alternatives. A power supply shortage is predicted for the northwestern part of the United States in 2010 or 2011. Our economic conditions could alter this date by several years, but it will happen.

We, at Fergus Electric, will be working hard to obtain the best deal on a long-term power supply. It is always our aim to provide reliable and affordable electricity to our members.

I thank the Fergus board and staff for their hard work and dedication this past year.

Challenging times help us to become better and more efficient managers.

I look forward to visiting with you at our June 4 annual meeting.

Employees

Scott Sweeney
General Manager
Mike Stanley
Assistant Manager
Dale Rikala
Line Superintendent
Don Criswell
Roundup Asst. Line Sup.
Sally Horacek
Office Manager
Murray Matthews
Foreman
Dave Phifer
Foreman
Jim Richter
Foreman
Dean Lawler
Roundup Foreman
Richard Anderson
Roundup
Ryan d'Autremont
Janine Rife Didier
Kerby Durbin
Brian Godbey
Susan Hinkley
Tyler Hodge - *Roundup*
Louie Hould
Guy Johnson
Erika Mattaliano
Vangie McConnell
Monte Obert
Curt Olson
Bret Ophus
Jill Owens
Tyson Ruff
Tom Simons

Your Touchstone Energy® Cooperative
The power of human connections®



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*David Dover
vice president*



*Steve Balster
secretary/treasurer*



Joe Dirkson



Alan Evans



Joe Pirrie



Mike Vlastelic



*William A. Spoja, Jr.
corporate counsel*

Manager's Report

The past year has been very busy at the cooperative. Fergus Electric's line crews, engineers, staff and the board of trustees have been working towards improving system reliability, building line to new members, and securing a stable, reliable source of power. Crews replaced 720 old poles and approximately 4,100 miles of line and 65,000 poles. On-going maintenance is a key element in providing reliable power.

New Services

Ninety-seven new meters – 35 in the Roundup area and 62 in the Lewistown area were connected. We were very pleased to sign agreements with the Signal Peak Energy coal mine south of Roundup. We believe this arrangement will be beneficial to both Signal Peak and to Fergus Electric and we anticipate the new longwall mine to ramp up production this fall.

Current Power Supply

Currently, Fergus Electric's power supply comes from Southern Montana Electric Generation and Transmission Cooperative (Southern Montana) through power supply contracts that Southern Montana has with Western Area Power Administration, Bonneville Power Administration and PPL Montana. The Bonneville con-

Scott Sweeney
manager



tract is due to expire in July of 2011.

The impending Bonneville contract expiration is the primary reason for Fergus Electric's pursuit of the Highwood coal-fired generating station near Great Falls, but after nearly five years of work, a difficult decision resulting from several issues has brought the cancellation of the coal plant's construction.

Future Power Supply

In February and March, Southern Montana solicited bids for a 10-year power supply from a number of providers. Fortunately, for Fergus Electric and all the members of Southern Montana, a competitive contract was signed with PPL Montana that will supply Southern Montana's electric needs through June 2019 at a reasonable price.

In order to provide long-term rate stability beyond 2019, Fergus Electric

and Southern Montana are carefully weighing all the options before deciding whether to build a natural gas power plant at the Highwood location.

In the meantime, in April 2009, to help keep Fergus Electric financially stable during the transition from Bonneville Power Administration (hydro generation) to PPL Montana (coal and hydro mix), the cooperative increased electric rates between 9 and 10 percent, depending on the rate class.

Our continuing goal is to keep electricity prices as stable as possible.

Looking Forward

We are reviewing the cooperative's co-generation and net metering policy. We hope to make such a program beneficial to the members and cooperative alike.

It appears that in 2009, we will see a decline in new electric services, but while the economy is struggling and many cities have seen large real estate declines, our service area is remaining stable. We continue to receive inquiries for new residential and commercial services. I believe the cooperative is going to continue to see moderate growth.

Fergus Electric's board and staff strive to provide affordable, quality electrical service for our members.

Candidate Selection for upcoming trustee election

In accordance with Fergus Electric Cooperative, Inc. Bylaws, Article IV, Section 4.3, the nominating committee met and selected the following candidates:

District 3 – Joe Dirkson (incumbent) Hilger, Winifred and Roy areas;

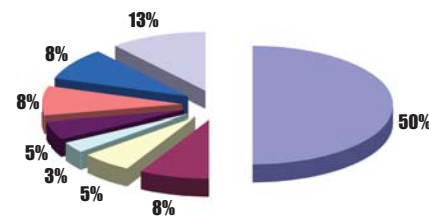
District 5 – Alan Evans (incumbent) and Terry Frost (candidate) Roundup and Musselshell areas; and District 7 – Bob Evans (incumbent) Geyster, Denton, Utica and White Sulphur areas.

Nominating committee members are

Bob Atchison, Max Carpenter, Dirk Hassler, Ron Heggem, Darrell Mikkelson, Bruce Neumann, Sam Ohanesian, Randy Ridgeway and John Wickens.

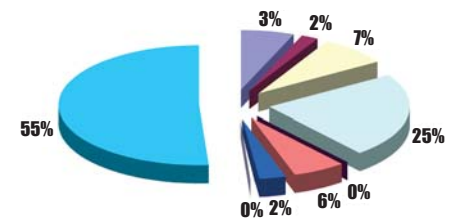


Uses of Revenue 2008



Cost of Power	50%	Interest	5%
Lines-Dist/Oper	8%	Administration	8%
Lines-Dist/Maint	5%	Depreciation	8%
Consumer Acct	3%	Margins	13%

Sources of Revenue 2008



Seasonal	3%	Missiles	6%
Small Comm	2%	Irrigation	2%
Large Comm	7%	Other	0%
Terasen-Lg Pwr	25%	Residential	55%
Street Lights	0%		

Annual Financial Report



Linemen Ryan d'Autremont and Dave Phifer at last year's meeting.

This balance sheet and comparative statement of revenue and expenses were taken from complete financial statements which were audited by Smith, Lange & Halley, P.C., Certified Public accountants, Sidney, Montana, who expressed their unqualified opinion on the statements. Copies of the complete financial statements, together with the auditor's report, may be examined at the cooperative headquarters in Lewistown.

Steven W. Balster, secretary/treasurer

ASSETS	2008	2007
ELECTRIC PLANT:		
In service - at cost	\$39,070,721	\$37,578,649
Construction work in progress	<u>\$966,952</u>	<u>\$355,500</u>
	\$40,037,673	\$37,934,149
Less: Accumulated provisions for depreciation and amortization	\$15,249,305	\$14,054,466
Net utility plant	\$24,788,368	\$23,879,683
OTHER ASSETS AND INVESTMENTS:		
Investments in associated organizations	\$2,905,333	\$3,738,082
CURRENT ASSETS:		
Cash-general funds	\$924,406	\$758,284
Temporary investments	\$1,632,000	\$1,622,000
Accounts receivable	\$1,150,567	\$769,521
Materials and supplies	\$224,066	\$256,750
Other current and accrued assets	\$13,781	\$18,438
Deferred Charges	<u>\$7,604,326</u>	<u>\$11,701</u>
TOTAL ASSETS:	<u>\$39,242,847</u>	<u>\$31,054,459</u>
LIABILITIES AND MEMBERS' EQUITY		
EQUITIES:		
Patronage capital	\$13,126,894	\$12,027,959
Other Equities	\$2,381,765	\$1,967,257
LONG-TERM DEBT:		
Mortgage notes & other long-term debt	\$16,304,737	\$12,112,964
CURRENT LIABILITIES:		
Current maturities of long-term debt	\$5,130,295	\$2,760,000
Accounts payable	\$794,261	\$987,867
Accounts payable-overdrafts	\$176,684	\$154,595
Consumer deposits	\$156,400	\$150,615
Accrued taxes	\$181,471	\$158,761
Other current and accrued liabilities	<u>\$410,652</u>	<u>\$390,071</u>
Total liabilities	\$6,849,763	\$4,601,909
DEFERRED CREDITS:		
	<u>\$579,688</u>	<u>\$344,370</u>
TOTAL LIABILITIES & MEMBER EQUITY:	<u>\$39,242,847</u>	<u>\$31,054,459</u>

COMPARATIVE STATEMENT OF REVENUE AND EXPENSES DECEMBER 31

REVENUE:		
Operating revenues	\$12,210,486	\$10,727,071
Nonoperating revenues	\$401,214	\$418,276
VARIABLE EXPENSES:		
Lines-Distr./Operations; transmission	\$1,033,723	\$915,207
Line-Distr./Maintenance	\$584,819	\$602,910
Consumer Accounting	\$386,500	\$366,027
Administrative & All Other	\$991,635	\$960,335
FIXED EXPENSES:		
Power Purchased for Member	\$6,287,340	\$5,335,919
Depreciation	\$1,014,727	\$975,016
Interest on long-term debt	\$670,925	\$560,377
TOTAL COST OF ELECTRIC SERVICE:	<u>\$10,969,669</u>	<u>\$9,715,791</u>
NET MARGINS ASSIGNABLE:	<u>\$1,642,031</u>	<u>\$1,429,556</u>

LEWISTOWN, MT

Your Touchstone Energy® Partner

FOR OUTAGES

First: Check the fuses or breakers in the building in which the electricity is off.

Second: Check the breaker below the meter.

Third: If electricity is still out, call a neighbor to see if they have electricity.

Fourth: Call **406-538-3465** day or night or:

Dale Rikala406-538-5192
 Guy Johnson406-535-5132
 Scott Sweeney406-538-7218
 Don Criswell (Roundup)406-323-3426
 Monte Obert406-538-9705

FERGUS ELECTRIC COOPERATIVE, INC.

84423 US Hwy 87, Lewistown, MT 59457-2058
 Tel: 406-538-3465

Office Hours: 8 a.m. - 5 p.m. M-F
 Website: www.ferguselectric.coop
 E-mail: ferguselectric@ferguselectric.coop

Scott SweeneyGeneral Manager
 Mike StanleyAssistant Manager
 Dale RikalaOperations Supervisor
 Sally Horacek.....Office Manager
 Vangie McConnell.....Editor

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 Buffalo, 374-2315

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 Grass Range, 428-2160

District 5: Alan Evans, Roundup, 323-2888

District 6: Joe Pirrie, Shawmut, 632-4432

District 7: Bob Evans, Jr., President,
 Geysler, 735-4476

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