

# F E R G U S

## FEATURES

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

## Affordable, Innovative, Member Focused — Employees are looking out for you in many ways

By Vangie  
McConnell

Cooperatives are different from other businesses you deal with. We're different because we're Looking Out for You. Now, more than ever, that's important because we need to work together to keep your electric bill affordable. It's hard to predict the future, but one thing seems certain: new regulations are going to increase the cost of doing business.

Regulations won't be the only culprit. Prices for fuel, materials, and equipment continue to rise. Although the recent economic slump and corresponding national drop in electricity use provided some much-needed breathing room, additional

power plants like the gas-fired Highwood Generating Station east of Great Falls are being built.

We're going to do everything we can to keep your electric bills affordable. Deploying state-of-the-art solutions like our automated meter reading program

helps control operating costs and improve service reliability.

While we're affordable and innovative, above all else we're member focused – you have a voice in how your co-op operates. At the annual meeting, you have the opportunity to elect fellow members to our board to represent your best interests.

Member control means we are accountable to those we serve, and are dedicated

to assisting our communities. When it comes to your electric bill our rates are set simply to cover the cost of doing business, not to generate profits for distant stockholders. In fact, as a not-for-profit organization, we give money back to you when possible in the form of capital credits. Just prior to this year's annual meeting, \$380,000 was returned to the membership.

As you see, we're different. We're working together to keep your electric bills affordable. We're controlling costs through innovation. And we're continuing to put you, our members, first. No matter what the future brings, one thing is certain. We are Looking Out for You.



*L to R: Linemen Dean Lawler, Tyler Hodge and Jim Richter are working together to help keep your electric bills affordable.*

## 74th Annual Meeting

June 9, 2011

Fergus County Trade Center, Lewistown, Montana

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

Lunch: 12 Noon

Business Meeting: 1 p.m.

# President's Report

As I write this report, it looks like we are poised to have a good growing season in central Montana. We have had great moisture and the cattle and grain prices are at record highs. It is also encouraging to see the green grass and the crops in the fields.

Looking back, 2010 was also a good year for Fergus Electric Cooperative. Our margins were good, Highwood Generating Station was started, and our crews accomplished a great deal of work in our service area.

Because of our favorable financial position, we are able to pay capital credits to the members. The board made the decision to pay capital credits for the years 1981 and 1982. Returning to a capital credit rotation has been a priority of the board for several years and it pleases us to be issuing capital credit general retirement checks this year.

After seven-plus years of telling the



*Bob Evans  
president*

public that Fergus Electric Co-op and the other members of SME are building a power plant to provide electricity to our membership, it's finally happening. Highwood Generating Station's (HGS) gas-fired peaking plant will come on line late this summer. Construction is on schedule and we look forward to the day that we are using power generated at HGS.

The board has been thoroughly studying the value of building Phase 2 of HGS, which will expand the combined-cycle gas-fired generation plant to a total of 120 megawatts. Committing to building Phase 2 will ensure that we are in better control of our future power needs. Electric consumption continues to increase and I believe that owning our own generation is a positive move for our co-op. Adding Phase 2 will help stabilize electric rates far into the future.

Soon, we will decide whether to commit to building the next phase. We welcome your input. The co-op's contact information is in the Fergus Features section of the *Rural Montana* magazine and on our website [www.ferguselectric.coop](http://www.ferguselectric.coop).

We experienced a bad snowstorm

near the end of April 2011 that caused multiple outages mainly in the Winnett, Winnett Jct., Harlowton, South Roundup and Ryegate areas with a few additional outages scattered throughout our service area. Our crews worked a lot of very long hours under some pretty tough conditions restoring power to the members. On behalf of the board, I want to thank all of the employees for the hard work they do every day. Fergus Electric's staff is a group of very dedicated and dependable professionals.

We lost both transmission and three-phase poles during the outages and many members were without power for over two days. These unexpected power outages serve to remind us of the importance of being safe around power lines. Always treat a downed line as energized; report the power problem to the co-op and keep a safe distance from the power lines. The safety of our line crews and members is of the utmost importance to the co-op.

We want to thank the many members who provided assistance during the pre-Easter outage. Members helped by offering their tractors to escort our equipment through the mud, patrolling power lines to locate storm damage and calling to report outages and found power problems.

We appreciate the kindness, patience and generosity of our members. Thanks to everyone for their help.

## Employees

Scott Sweeney —  
*General Manager*  
Mike Stanley —  
*Assistant Manager*  
Dale Rikala —  
*Line Superintendent*  
Don Criswell —  
*Roundup Assistant*  
*Line Superintendent*  
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



## Board of Trustees



*David Dover  
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secretary/treasurer*



*Joe Dirkson*



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*Mike Vlastelic*



*Jason Swanz*



*William A. Spoja, Jr.  
corporate counsel*

# Manager's Report

## Co-op is growing

I am very pleased to report at the Cooperative's 74th annual meeting that overall Fergus Electric is doing well. The cooperative is growing and its financial standing is strong.

In 2000, the co-op provided electricity to 5,509 meters. In 2010, the numbers of co-op meters served were 6,137. This is an increase of 628 meters or a growth of approximately 11.4 percent.

In the year 2000, the total energy the co-op sold was 73 million kilowatt hours (kWh) and in 2010 energy sales increased to 194 million kWh. Peak demand at the co-op increased from 19,570 KW in 2000 to 49,915 KW in 2010. Both the energy sold and total demand has increased by over two and one-half times in the last 10 years. This is significant growth for the cooperative.

Fergus Electric has been fortunate to add two large loads during the last decade. In 2005, the co-op added two oil-pumping stations owned by Express Pipelines and in 2009 the co-op upgraded power to the Signal Peak Coal Mine south of Roundup. The welcome addition of these large loads has certainly helped to provide financial stability to the cooperative.

## Two employees retiring

I want to thank all of the co-op's employees for working hard to make 2010 a good year for the cooperative. We are very fortunate to have 26 dedicated employees who efficiently run the co-op.

Our line crews work hard year-round to keep the lights on. During spring snowstorms in 2010 and 2011 our crews worked extra, extra hard to restore power outages. I want to thank all the members that experienced long power outages. We really appreciate and thank those members who patiently waited for our crews to restore the power!



Scott Sweeney  
manager

Our office staff works hard to ensure that our electric billing is professional and courteous. Our staff also works efficiently making sure all of our bills are paid on time.

Two long-time employees are planning to retire at the end of 2011. Jill Owens, our cashier-receptionist has been at the co-op since 1995. I think Jill knows most of our 3,728 members on a first name basis. She has an amazing gift of remembering people's faces and names. Jill – thank you for 16 years of “customer friendly” service. Murray Matthews, one of our Lewistown area line foremen, has been employed since April 1980. Murray is a dedicated co-op employee whose lineman experience includes 32 years of spring snowstorms – a remarkable feat! Thanks Murray for helping to keep the lights on for all of us.

## Highwood Generating Station

Our power supplier, Southern Montana Electric Generation and Transmission Cooperative, is working to construct Phase 1 of the Highwood Generating Station (HGS). Southern is pleased to report that construction is progressing very well and the 46 megawatt natural gas plant is scheduled to be ready to produce commercial power on Sept. 1, 2011. This is timely as Southern's last block of power from Bonneville Power Administration (BPA) is scheduled to end Sept. 30, 2011.

Southern has a continuing block of power with Western Area Power Administration (WAPA) that expires in 2020 and a contract for power from PPL-Montana that expires eight years from now in 2019. After 2019,

Southern will need more power.

Our co-op is working with Southern to pursue building Phase 2 of HGS once Phase 1 is completed. In many ways it seems that the most prudent option for Southern and its member distribution co-ops is to build Phase 2 of HGS and to have a full 120 megawatt natural gas combined-cycle generating facility to provide electricity to its members.

This undertaking has not been without its obstacles. Southern is involved in two lawsuits – one with Yellowstone Valley Electric Co-op and one with Electric City Power – Great Falls. Both of these entities want to get out of their power supply contracts with Southern. The Fergus board and I are monitoring these lawsuits and we will continue to provide updates to our members as they become available.

## Co-op Connections Card

Fergus Electric is a member of Touchstone Energy® Cooperatives. Touchstone Energy® is promoting a Co-op Connections Card, which provides you, the co-op member with an opportunity to save a considerable amount of money on your medical prescriptions. I wanted to inform everyone about Touchstone Energy's® free Co-op Connections Card and ask you to stay tuned for future information. Our goal is to have the cards mailed to members this fall.

## Future oil wells near Winnett, Grass Range and Roundup

Central Montana Resources, Inc. is in the early stages of oil exploration in this area. Test oil wells are being drilled in Petroleum County, southeastern Fergus County and northern Musselshell County. There is a good potential for new oil development in our service area.

Fergus Electric has been blessed with energy development in Central Montana. It is a very exciting and challenging time to be the General Manager of the cooperative.

# Candidate Selection for upcoming trustee election

In accordance with Fergus Electric Cooperative, Inc. Bylaws, Article IV, Section 4.3, the nominating committees met and selected the following candidates: District 2 – David Dover

(incumbent) and Ben Peterson (candidate), Judith Gap, Buffalo & Moore areas; District 4 – Mike Vlastelic, Grass Range & Winnett areas. Nominating committee members are

David Baird, Jack Barisich, Sam Holmes, Roger Saylor, Bonnie Tuss and Keith Weinheimer.

# Annual Financial Report



L to R: Linemen Louie Hould, Brian Godbey and Curt Olson.

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

<b>ASSETS</b>	<b>2010</b>	<b>2009</b>
<b>ELECTRIC PLANT:</b>		
In service - at cost	\$41,821,243	\$40,425,605
Construction work in progress	\$1,073,037	\$1,357,497
	<u>\$42,894,280</u>	<u>\$41,783,102</u>
Less: Accumulated provisions for depreciation and amortization	\$17,135,407	\$16,338,869
Net utility plant	\$25,758,873	\$25,444,233
<b>OTHER ASSETS AND INVESTMENTS:</b>		
Investments in associated organizations	\$2,383,333	\$2,308,583
<b>CURRENT ASSETS:</b>		
Cash-general funds	\$0	\$240,306
Temporary investments	\$3,000,000	\$1,478,262
Temporary restricted investment	\$310,000	\$310,000
Accounts receivable	\$1,567,636	\$1,360,925
Materials and supplies	\$264,891	\$290,764
Other current and accrued assets	\$7,410	\$9,404
Deferred Charges	\$3,985,545	\$7,173,233
<b>TOTAL ASSETS:</b>	<u><b>\$37,277,688</b></u>	<u><b>\$38,615,710</b></u>

## LIABILITIES AND MEMBERS' EQUITY

<b>EQUITIES:</b>		
Patronage capital	\$14,498,088	\$11,946,256
Other Equities	\$2,114,947	\$2,778,779
<b>LONG-TERM DEBT:</b>		
Mortgage notes & other long-term debt	\$17,181,088	\$18,965,142
<b>CURRENT LIABILITIES:</b>		
Current maturities of long-term debt	\$794,350	\$2,599,409
Accounts payable	\$1,479,867	\$1,308,418
Accounts payable-overdrafts	\$351,768	\$106,557
Consumer deposits	\$107,575	\$90,492
Accrued taxes	\$173,620	\$181,899
Other current and accrued liabilities	\$495,813	\$457,895
Total liabilities	\$3,402,993	\$4,744,670
<b>DEFERRED CREDITS:</b>	<u>\$80,572</u>	<u>\$180,863</u>
<b>TOTAL LIABILITIES &amp; MEMBER EQUITY:</b>	<u><b>\$37,277,688</b></u>	<u><b>\$38,615,710</b></u>

## COMPARATIVE STATEMENT OF REVENUE AND EXPENSES DECEMBER 31

<b>REVENUE:</b>		
Operating revenues	\$20,564,944	\$15,165,830
Nonoperating revenues	\$46,704	\$52,747
<b>VARIABLE EXPENSES:</b>		
Lines-Distr./Operations; transmission	\$1,195,333	\$1,094,951
Line-Distr./Maintenance	\$768,792	\$614,168
Consumer Accounting	\$425,844	\$420,064
Administrative & All Other	\$1,069,224	\$3,264,233
<b>FIXED EXPENSES:</b>		
Power Purchased for Member	\$13,338,632	\$8,715,612
Depreciation	\$1,059,806	\$1,028,782
Interest on long-term debt	\$751,036	\$740,354
<b>TOTAL COST OF ELECTRIC SERVICE:</b>	<u><b>\$18,608,667</b></u>	<u><b>\$15,878,164</b></u>
<b>NET MARGINS</b>	<u><b>\$2,002,981</b></u>	<u><b>(\$659,587)</b></u>

**Fergus Electric Cooperative, Inc.**  
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 Rikala .....	406-535-5192
Guy Johnson .....	406-535-5132
Scott Sweeney .....	406-538-7218
Don Criswell (Roundup) .....	406-323-3426
Monte Obert .....	406-425-1288

**FERGUS ELECTRIC COOPERATIVE, INC.**

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E-mail: [ferguselectric@ferguselectric.coop](mailto:ferguselectric@ferguselectric.coop)

Scott Sweeney .....General Manager  
Mike Stanley .....Assistant Manager  
Dale Rikala .....Operations Supervisor  
Sally Horacek .....Office Manager  
Vangie McConnell .....Editor

**BOARD OF DIRECTORS**

District 1: Steve Balster, Sec./Treas.,  
Lewistown, 538-5142

District 2: David Dover, Vice President,  
Buffalo, 374-2315

District 3: Joe Dirkson, Winifred, 462-5631

District 4: Mike Vlastelic,  
Grass Range, 428-2160

District 5: Terry Frost, Roundup, 323-3415

District 6: Jason Swanz, Judith Gap, 473-2462

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

*Fergus Features is a national, state and regional award winning newsletter.*