

F E R G U S

FEATURES

Member Newsletter ♦ Fergus Electric Cooperative, Inc., Lewistown, MT ♦ www.ferguselectric.coop

As a member-owner of the cooperative comes certain rights that play a critical role in Fergus Electric's success



Listening improves understanding, builds trust, strengthens relationships and fosters cooperation. That's why Fergus Electric still loves face time with our members. Our annual meeting is a social event for our whole co-op family. We hope you'll make plans now to join us for a day of co-op business, fun and prizes. Photo by Janine Rife Didier

By Vangie McConnell

Fergus Electric is a member-owned, member-governed cooperative. When the co-op was incorporated in 1938, members of the community knew that we were a locally-owned business. Over time, the novelty of receiving electricity waned and the co-op was viewed like any other energy provider.

But we are different — and the key to that difference is you, the member-owner. Without your support and commitment, we would not exist.

Research proves that when people own something they treat it differently, which is why we encourage you, a Fergus Electric member, to act as an owner rather than a customer. As an owner, you play a critical role in our success. Each year, if our revenue exceeds our expenses, a certain percentage is allocated back to you.

With ownership comes certain rights such as the opportunity to seek election

to serve on the board of directors. If that seems like too big a commitment, we still want and need you to participate in the annual meeting and elections.

We welcome your advice and counsel as we continually look for innovative ways to serve you.

One of our newest services is SmartHub. It allows you to conduct routine business transactions such as making online bill payments, viewing current and historical billing information and payment history, and viewing graphs displaying energy usage. SmartHub provides 24-hour access to your accounts.

As a local business, we have a real stake in our communities, just as you do. That is why we seek opportunities to engage with local organizations throughout our 14-county service territory like schools, 4-H clubs, FFA chapters, community clubs, rural fire districts, Cowboy Poetry Gathering, Washington, D.C. Youth Tour, Salvation

Army Red Kettle Drive, Central Montana Foundation, and Career Days.

While electric power is the commodity that your co-op sells, the real power is that together, we empower our local communities. When people feel empowered, they accomplish great things. Working together with your inspired engagement, we can, indeed, accomplish great things.

80th Annual Meeting

Thursday, June 7, 2018
Fergus County Trade Center,
Lewistown

Registration:
11 a.m. – 2 p.m.

Lunch: Noon
Business Meeting: 1 p.m.

President's Report

Year-end financials

I think many of our members who are ranchers and farmers will long remember the winter and spring of 2017-2018 as being relentless. It was a tough calving season for ranchers, and farmers struggled to get their spring planting done. I think everyone is grateful to see June's arrival.

Thankfully, the co-op's miles of poles and wires held up well during the harsh weather, and financially I can report that 2017 was a good year, with Fergus Electric Cooperative's year-end financials continuing to be very solid. We reached our 2017 target of equity being more than 40 percent, as at the end of December equity was 48.14 percent. We appreciate and thank the membership for their continued support, and we thank our management and staff for their continued hard work and dedication. It's the continued support of members and staff alike that makes our co-op a success.

Community solar

The community solar program that Fergus Electric members supported began operating on August 4, 2017. We celebrated the occasion on September 14 with a dedication ceremony. As of October, all 324 panels in the 100-kilowatt solar array were purchased by 82 co-op members. The solar array was funded solely by the members who bought panels.

Selection and succession planning

In November, the board, management and corporate counsel attended a two-day retreat to assess our past accomplishments, and set direction and goals for the future. To get the most out of the retreat, our facilitator gave us assignments beforehand, so when the group met, our time was spent addressing crit-



Bob Evans
president

ical issues such as selection and succession planning, clarifying our vision and re-energizing our board. With just over half of the co-op's staff being eligible for retirement within seven years, discussing succession planning options and preparing for inevitable staff changes was a primary focus of the co-op's management. In view of that, the board encouraged the general manager to hire an assistant general manager. It was a busy, productive and worthwhile session.

Equipment and vehicle storage building

At last year's annual meeting, the members voted in favor of constructing an equipment and vehicle storage building at the co-op. Given the unfavorable weather conditions throughout the winter months and early this spring, barring any unexpected issues or delays, we expect that the truck garage will be done and ready for use by fall. We appreciate our members supporting the construction of a new building. Considering the investment, having suitable shelter for the co-op's trucks and large pieces of equipment is extremely important, and we are anxious to see the project completed and the building put to good use.

Capital credits

Last fall, after reviewing the cooperative's financial condition, the board authorized a general retirement of capital credits and, on November 9, Fergus Electric mailed out capital credit general retirement checks for the balance of 1984, 1985 and 1986, totaling

\$1,240,378. We plan to issue capital credit general retirement checks to the membership in 2018 as well. In addition to the general retirement, in 2017 the co-op paid out \$222,776 in estate capital credits. Each year, the cooperative's board of directors decides whether to retire capital credits based on the financial health of the cooperative. When the member equity levels are high and the financial condition of the co-op is strong, it pleases the board to instruct management to refund capital credits to the membership.

District 2 Board Director

On October 4, 2017, District 2 Board Director David Dover of Buffalo resigned his seat on the Board of Directors. In December 2017, David was among the excellent pool of candidates who were considered for the assistant general manager position. After careful consideration, on January 29, 2018, the general manager selected David to serve as the cooperative's assistant general manager.

To fill the vacant board director seat in District 2, the co-op notified members that it was seeking a qualified member to serve out the two years remaining in the term. The board of directors interviewed interested candidates on April 26, and appointed Brett Maxwell to serve as director of District 2 on Fergus Electric Cooperative's Board of Directors. Maxwell will be eligible to run for election in June 2020.

Attend your Annual Meeting on June 7

We hope that you will attend Fergus Electric Cooperative's 2018 annual meeting on Thursday, June 7, in the Trade Center at the Fergus County Fairgrounds in Lewistown to hear updates and learn what is going on at your electric cooperative.

Board of Trustees



Paul Descheemaeker
vice president



Terry Frost
sec./treas.



Brad Arntzen



Cathy Kombol



Jason Swanz



Kris Birdwell
corp. counsel

Manager's Report

80th Anniversary

Fergus Electric Cooperative, Inc. is extremely pleased to be holding its 80th anniversary. The Articles of Incorporation were filed with the Montana Secretary of State on June 22, 1938. Over the past 80 years the co-op has experienced many challenges and positive opportunities. The electric cooperative originated in Fergus County but soon expanded into Judith Basin, Musselshell, Petroleum, Wheatland and Golden Valley counties. Today Fergus Electric has grown and is in 14 counties!

As in 1938, challenges and opportunities still exist today. One of our biggest challenges is keeping poles and wires in good condition. Fergus Electric Co-op has approximately 68,000 poles on our system. The power lines were originally built in the 1930s, 1940s, 1950s and 1960s. Pole changeouts are a very big expense at the co-op, and an important item that we work at steadily to reach goals to keep our system reliable and up to date.

Fergus Electric Cooperative is committed to providing reliable, safe and affordable energy services to the communities that we serve. We are pleased to have reached this milestone and expect to continue serving our current members and future generations.

Scholarships

I am delighted to report that once again, as in years past, during Fergus Electric Cooperative's annual meeting, we will give 10 \$1,000 "Luck of the Draw" scholarships to our members' children who are enrolled or planning to enroll in college or a technical school. Since 2002, Fergus Electric Cooperative has given 134 scholarships totaling \$103,100 to students whose families reside throughout our service territory. Fergus Electric is fortunate to be able to use unclaimed capital credits and donated capital credits to encourage higher education for many outstanding students of our membership in central Montana.

In addition to the annual meeting scholarships, we were pleased to have six qualified students apply for the \$6,000 lineman scholarship Fergus Electric awarded in April. Each applicant provided remarkable letters of recommendation, solid grades and strong personal statements. After careful delib-



Scott Sweeney
manager

eration, we selected Hunter Errecart from Lewistown. Hunter is planning to attend a lineman college this coming year. On behalf of the board and staff, I congratulate Hunter Errecart and wish him much success in his future career as an electrical line worker!

Metering system and transmission line rebuild

Two big projects are being planned for the cooperative. This coming fall, seven and a half miles of the existing 50-kilovolt transmission line from Carters Substation north towards Hilger will be rebuilt and upgraded with larger conductor and a static wire for lightning protection and shorter span lengths. The existing power line is between 50 and 70 years old, and because it is the main line for Hilger, Winifred and Roy, I believe it is an important project for many cooperative members.

Over the next three years, 2018, 2019 and 2020, our old metering system, which we call the "Turtle Metering System" will be replaced and upgraded with new Advanced Metering Infrastructure (AMI). This is a very important project for the cooperative as the meter is the key component that records our members' power usage at houses, cabins, businesses, stock wells and irrigation pumps. The cooperative uses the meter to accurately calculate the power bills that are sent out each month.

Copper mine provides opportunity

Fergus Electric has a big opportunity with the planned addition of a copper mine approximately 15 miles north of White Sulphur Springs. The new mine is being developed by Sandfire Resources America Inc. and the new electric load for the co-op to serve is planned to be 9,000 to 12,000 kW with mining operations to be on a 24-hour per day, seven-days-a-week work schedule. Sandfire Resources is working diligently with the Montana Department of Environmental Quality to develop a very low-impact, underground mine. The mine is being designed to meet or exceed all state and federal requirements with regards to impacts on the water, air and land.

I am excited that Fergus Electric has been able to work with Sandfire Resources to provide electricity to a state-of-the-art underground copper mine to provide an important natural resource for manufacturers to be able to use in developing new technologies, i.e., electric cars, solar panels, wind turbines and the many electrical devices that use copper wire as a key part of their manufacturing process.

It seems to me that copper is an important resource for new types of electric production and transmission, and if we can produce the copper in a clean mining plan in Montana, then it is a key development for us to support.

Working safe

On October 5, 2017 the Montana Electric Cooperatives' Association recognized the management and employees of Fergus Electric Cooperative for their outstanding achievement of an accident-free record of five years from 2013 to 2017. I am proud of this accomplishment. Our number-one goal is to have our employees return home safe each night.



Annual Financial Report

	2017	2016
ASSETS		
ELECTRIC PLANT:	\$53,135,981	\$52,046,880
Less: Accumulated Depreciation	\$23,906,753	\$22,682,052
Net utility plant	<u>\$29,229,228</u>	<u>\$29,364,828</u>
Investments in associated organizations	\$1,449,772	\$738,987
CURRENT ASSETS:	\$9,616,883	\$7,597,725
DEFERRED DEBITS:	<u>\$1,189,574</u>	<u>\$1,293,077</u>
 TOTAL ASSETS	 <u><u>\$41,485,457</u></u>	 <u><u>\$38,994,617</u></u>
LIABILITIES & MEMBERS' EQUITY		
TOTAL MARGINS & EQUITIES:	\$20,295,816	\$18,026,785
TOTAL LONG-TERM DEBT:	\$13,995,759	\$16,597,992
CURRENT LIABILITIES:	\$3,809,126	\$4,186,943
DEFERRED CREDITS:	<u>\$3,384,756</u>	<u>\$182,897</u>
 TOTAL EQUITIES & LIABILITIES	 <u><u>\$41,485,457</u></u>	 <u><u>\$38,994,617</u></u>

COMPARATIVE STATEMENT OF REVENUE AND EXPENSES DECEMBER 31

Operating revenues	\$22,735,465	\$23,850,682
VARIABLE EXPENSES:		
Power purchased for member	\$12,083,492	\$14,306,651
Lines Costs	\$2,992,102	\$2,643,293
Administrative & all other	\$1,948,766	\$1,767,685
TOTAL Variable Expenses	<u>\$17,024,360</u>	<u>\$18,717,629</u>
FIXED EXPENSES:		
Depreciation	\$1,288,077	\$1,265,052
Interest on long-term debt	\$607,602	\$674,051
TOTAL COST OF ELECTRIC SERVICE:	<u>\$18,920,039</u>	<u>\$20,656,732</u>
 Operating margins	 \$3,815,426	 \$3,193,950
Non-operating margins	(\$245,403)	\$1,553,463
NET MARGINS:	<u>\$3,570,023</u>	<u>\$4,747,413</u>



The 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, of 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.

Terry Frost

Terry Frost, secretary/treasurer

Employees

Scott Sweeney — General Manager
 David Dover — Assistant Manager
 Dale Rikala — Line Superintendent
 Bret Ophus — Lewistown Assistant Line Superintendent
 Don Criswell — Roundup Assistant Line Superintendent
 Sally Horacek — Office Manager
 Janine Rife Didier — Financial Analyst
 Curt Olson — Foreman
 Jim Richter — Foreman
 Dean Lawler — Roundup Foreman
 Richard Anderson — Roundup Serviceman
 Ryan d'Autremont — Transformer Repairman
 Brian Godbey — Serviceman/Meter Tech
 Louie Hould — Serviceman
 Guy Johnson — Staking Engineer
 Melanie Foran — Staking Engineer
 Monte Obert — Staking Engineer
 Vangie McConnell — Benefits/Communications
 Susan Hinkley — Senior Billing Clerk
 Erika Mattaliano — Billing Clerk
 Sue Werdin — Cashier
 Jake Grensten — Journeyman Lineman
 Bret Nelleremoe — Roundup Journeyman Lineman
 Casey Kombol — Roundup Apprentice Lineman
 Tyson Ruff — Journeyman Lineman
 Mark Schwomeyer — Journeyman Lineman
 Tom Simons — Mechanic



Hilger Substation