

F E R G U S

FEATURES

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

To build a sense of community at the annual meeting, face-to-face conversations are important



By *Vangie McConnell*

Did you know every cooperative is required to conduct an annual meeting of the membership? The purpose is to hold the election for the board of directors, share important financial information, occasionally vote on other matters such as bylaw changes and, of course — the great door prizes!

Fergus Electric's annual meeting is a community gathering where neighbors can meet new neighbors or catch up with old acquaintances. As our lives get busier with the "errands of life," and more of our interactions with others are online (via social media), we must renew the value of face-to-face human connections. Very few organizations are uniquely positioned like Fergus Electric

to bring together all members of our local communities.

While rural Americans probably do a better job of staying connected to our neighbors (in part because we need to), it is not something we should take for granted. The simple act of smiling, saying hello and shaking someone's hand truly lifts both parties.

Our country and community face many challenges. Student populations in our local schools have decreased, businesses have closed their doors and the number of new co-op members has remained flat. The membership is aging and younger members need to become involved in the business of the cooperative. Overcoming these challenges will only happen if we come together.

Fergus Electric's annual meeting is

designed to take care of the important business of your co-op, and the equally important business of building a real sense of community. All cooperatives serve both an economic and social purpose. While providing safe, reliable and affordable energy is crucial to our mission, improving the quality of life for all members is at the core of what we do every day.

If you have not attended the annual meeting in the past or if it has been a few years, we urge you to take the time to be with your fellow co-op members.

We get out of life what we put into it. Fergus Electric is connected to you by more than just power lines. We are your neighbors and we look forward to seeing you at your co-op's annual meeting.

President's Report

Cooperative summary of 2016

Thanks to the support of the membership, and the dedication and hard work of management and staff, 2016 was a good year for Fergus Electric Cooperative. The co-op's year-end financials for 2016 continued to be very solid. We reached our 2016 target of equity being more than 40 percent, as at the end of December 2016 equity was 45.9 percent, a 5.9-percent increase since I reported to you in June 2016.

Fergus Electric accomplished many of the goals we had set for 2016, despite occasionally getting sidetracked by jobs that were not on the list. For example, while we were attending Fergus Electric's annual meeting last June, our line crews were busy restoring power and repairing damage to our system caused by the microburst that hit the areas west and east of Roy and north of Winnett. We lost 14 transmission poles and 23 distribution poles during that storm.

Since October 2011, the board, management and staff have labored to conclude the bankruptcy of our former power supplier, Southern Montana G&T. Finally, on June 30th, Southern paid off its bankruptcy obligations, clearing the path for Fergus to join Basin Electric Power Cooperative, which we did on January 1, 2017.

Summer/Fall 2016

In July, a member telephone survey related to solar was conducted. We learned that members are interested in solar energy, so at its September meeting, the board moved to allow the co-op to take the steps necessary to build a solar project. We will be talking more about solar at our annual meeting.

At the Montana Electric Cooperatives' Association (MECA) Annual Meeting in October 2016, Fergus Electric received a "no-lost time" award in recognition for a three-year accident-free record. Providing a safe and healthy work environment for our employees tops our list, and everyone at the co-op strives to uphold this record!

On November 1, Fergus Electric mailed out capital credit general retirement checks for the balance of 1983 and 20 percent of 1984, totaling \$357,238.65. We plan to issue capital credit general retirement checks to the membership in 2017 as well.



*Bob Evans
president*

These are a few highlights from 2016. We hope that you will attend Fergus Electric Cooperative's 2017 annual meeting on Thursday, June 8, in the Trade Center at the Fergus County

Fairgrounds in Lewistown to hear updates and learn what is going on at your electric cooperative. Each day brings new opportunities for staff, management and the board to engage with our membership.

Protecting co-op equipment

Fergus Electric Cooperative has 12 pieces of equipment, not including our service trucks, that in total cost more than \$2 million. Today, digger and bucket trucks each cost almost \$280,000. We keep many pieces of equipment 10 to 20 years. Considering the investment, it only makes sense to protect our equipment from the environment; extending their useful life. The board and staff are presently studying several options for building an equipment storage building at our Fergus Electric Co-op headquarters to house our fleet.

There is room in the existing shop for the service trucks, but the large equipment, including the digger and bucket trucks, skid loader and snow plow, are parked outside when not in use. It doesn't take too long before the elements begin to take their toll on equipment. When the equipment is stored outside during the winter, mornings spent clearing the ice and snow slow down the crews and creates a safety concern.

Periodically, the board and staff have explored possibilities for storing our large pieces of equipment. With the costs to replace equipment continuing to rise, providing suitable shelter is not just a convenience, it has become a necessity to delay — and reduce — wear and tear on our trucks.

Tintina Resources Copper Mine

Fergus Electric is supportive of Tintina Resources Black Butte Copper Project, which is being developed north of White Sulphur Springs. The co-op is working with Tintina to bring the project to fruition. Tintina is committed to taking all the steps necessary to protect

the local environment. The board has toured the proposed mine and seen the project's site firsthand. We feel that Tintina will be a great member and a strong asset for Meagher County and the entire central Montana area. We encourage you to take the mine tour held the first of each month.

We have met with the mine's developers on multiple occasions, and we are preparing to serve the mine. It will be a significant load for Fergus Electric. Large loads help to stabilize costs that our members pay and we look forward to the opportunity to serve the mine for years to come. Our present system in the White Sulphur Springs area is at capacity and serving the mine would also allow us to better serve our members located near the mine.

District 4 director relocates

Effective this annual meeting, Fergus Electric is going to lose a key board member. Mike Vlastelic, who was elected to the board of directors in June 2008 to serve members in District 4, has relocated to Lewistown. In addition to representing the members of Fergus Electric in the Grass Range and Winnett areas, and the area north of Roundup during his nine years on the board, Mike has represented Fergus Electric on the MECA board and on the board of our new power supply co-op, Members 1st. The latter required Mike to make many trips to northeast Wyoming to attend meetings.

Mike has been an engaging, personable and incredibly hardworking board member. There is no question that Mike has thoroughly and whole heartedly enjoyed representing his district and the entire membership and likewise members have surely benefited from Mike's dedication to the co-op. We will miss Mike's insights and wisdom. He leaves a big hole for the board members to fill.

Thank you, Mike, for all of your hard work. Also, thank you Deb for supporting Mike in his work. I know I speak for the board and staff alike when I say that Mike will be sorely missed!

79th Annual Meeting

Thurs., June 8, 2017

*Fergus County Trade Center
Lewistown, Montana*

Registration: 11 a.m. – 2 p.m.

Lunch: Noon

Business Meeting: 1 p.m.

Manager's Report

Strand Estate donates capital credits

Recently, Fergus Electric Cooperative received a generous donation, which will be used to fund scholarships. On behalf of the board and staff, I would like to express my sincere gratitude to Patrick (Lennie) McDonald and Chuck Tonne who, as executors of the Leroy Strand estate, have graciously donated \$30,890.58 in estate capital credits to Fergus Electric.

Leroy Strand died in August 2016 at age 97. The Strand Ranch near Geyser was purchased by the Strand family in 1944, with Leroy becoming the sole owner in 1964. Leroy was a very generous supporter to a wide range of charities throughout his life, and that generous spirit continues due to the kindness of Lennie McDonald and Chuck Tonne.

Fergus Electric is overjoyed to begin sharing this generous gift, easing the financial load on our members' children who pursue a higher education. First, at this year's annual meeting, we will double the number of "luck of the draw" scholarships we award to 20 \$1,000 scholarships. Later this summer, Fergus Electric will award a \$5,000 scholarship to a young man or woman enrolling in line technician school to become an electrical line worker. Then, the co-op will award a \$2,000 scholarship in conjunction with other scholarships offered by the Montana Electric Cooperatives' Association. Ultimately, the entire donation will be used for scholarships. Thank you to the Leroy Strand Ranch for providing so many young people with the gift of education!

Lineman scholarship recipient chosen

We were pleased to have six qualified young men apply for the \$6,000 lineman scholarship Fergus Electric awarded in April. Each applicant provided remarkable letters of recommendation, solid grades and great personal statements. After much deliberation, we



Scott Sweeney
manager

selected Tanner Blair from White Sulphur Springs. I had the pleasure of meeting Tanner when he stopped by the co-op to introduce himself and thank the co-op for the scholarship. A kind, personable young man, Tanner is looking forward to becoming a lineman. Congratulations Tanner and much success to you and the other applicants as you pursue careers as electrical line workers! Keep in touch.

Power supplier accountant recognized

Over the past several years, as we worked our way through the bankruptcy of Southern Montana Electric G&T Cooperative, our former power supplier, there were times when it was tough to be patient and allow the bankruptcy process to play itself out. During that time of uncertainty, the one constant we could rely on was Carrie Boysun. As Southern's accountant, Carrie remained steadfast throughout. She answered to boards and management of four co-ops, as well as numerous attorneys, which would try the average person's patience. With top-notch accounting skills and an organized approach, Carrie maintained order and function during a time that was neither easy nor predictable.

By nature, Carrie is graceful, kind, dependable and competent. Never wanting to draw attention to herself and her accomplishments, the only way to give her the recognition she so genuinely deserves is to write about her here. The board and I commend Carrie for she has braved some severe conditions these past several years and come through the other side in one piece. We thank Carrie for her loyalty and outstanding work, and hold her in high regard. Thanks Carrie — job well done!

Strong margins at the co-op

In going through the bankruptcy of Southern, our former power supplier, the board and I wanted to keep our co-op strong financially and, due to tightening the belt and being fiscally responsible, we now have very strong margins. We have extra cash on hand this year and the extra margins make it a good time to build the truck and equipment garage.

On January 1, Fergus Electric began receiving power supply from Members 1st and Basin, and to date the transition has gone smoothly. The power bill we receive from Basin includes a discount that is grandfathered in from an older contract that Southern had secured and Basin assumed from Southern. When that contract goes away the first of October 2017, so will the discount on the power bills. The cost of power will go up when the benefit of the credit goes away, and there will be a bit of a balancing act to project where we will be at the end of 2017, beginning of 2018, but overall, Basin rates should stay about the same as Southern. Fergus Electric has kept its rates to members stable since July 1, 2011, and we do not expect to increase rates in 2017.

Cooperative Solar

We are pleased that our members are excited about the cooperative solar project we are offering. The end of April, Melanie Foran, our staking engineer, mailed letters and solar presale application forms to members who had expressed interest in the Cooperative Solar project. By May 9, 28 members had paid a deposit of \$250 per panel, reserving a total of 88 panels.

We encourage members interested in purchasing solar panels to bring your checkbook to Fergus Electric Cooperative's Annual Meeting on Thursday, June 8. Our staff will be present to provide information and answer questions.

Board of Trustees



David Dover
vice president



Terry Frost
sec./treas.



Brad Arntzen



Paul
Descheemaeker



Jason Swanz



Mike Vlastelic



Kris Birdwell
corp. counsel

Annual Financial Report

ASSETS	2016	2015
ELECTRIC PLANT:		
In service - at cost	\$51,938,756	\$50,646,799
Construction work in progress	\$108,124	\$115,294
	<u>\$52,046,880</u>	<u>\$50,762,093</u>
Less: Accumulated provision for depreciation & amortization	\$22,682,052	\$21,899,591
Net utility plant	<u>\$29,364,828</u>	<u>\$28,862,503</u>
OTHER ASSETS AND INVESTMENTS:		
Investments in associated organizations	\$738,987	\$662,185
CURRENT ASSETS:		
Cash-general funds + Special deposits	\$1,029,912	\$2,200,438
Temporary investments	\$4,900,000	\$2,500,000
Accounts receivable, energy + other	\$1,369,341	\$1,508,470
Materials and supplies	\$290,524	\$286,078
Other current and accrued assets	\$7,948	\$19,285
TOTAL CURRENT & ACCRUED ASSETS:	<u>\$7,597,725</u>	<u>\$6,514,271</u>
DEFERRED DEBITS:	\$1,293,077	\$0
TOTAL ASSETS:	<u><u>\$38,994,617</u></u>	<u><u>\$36,038,958</u></u>
LIABILITIES AND MEMBERS' EQUITY		
EQUITIES:		
Patronage capital	\$22,353,167	\$18,356,307
Other Margins & Equities	(\$4,326,382)	(\$4,589,592)
TOTAL MARGINS & EQUITIES:	<u>\$18,026,785</u>	<u>\$13,766,715</u>
LONG-TERM DEBT:		
Mortgage notes, less current maturities		
TOTAL LONG-TERM DEBT:	\$16,597,992	\$18,057,365
CURRENT LIABILITIES:		
Accounts payable - all	\$1,706,698	\$1,533,561
Consumer deposits	\$100,765	\$112,104
Current maturities of long-term debt	\$1,266,176	\$1,344,816
Accrued taxes	\$259,068	\$237,351
Other current and accrued liabilities	\$854,236	\$839,844
TOTAL LIABILITIES:	<u>\$4,186,943</u>	<u>\$4,067,676</u>
DEFERRED CREDITS:	\$182,897	\$147,202
TOTAL LIABILITIES & MEMBER EQUITY:	<u><u>\$38,994,617</u></u>	<u><u>\$36,038,958</u></u>
COMPARATIVE STATEMENT OF REVENUE & EXPENSES DECEMBER 31		
OPERATING REVENUE:		
Operating Revenues	\$23,850,682	\$24,416,094
VARIABLE EXPENSES:		
Power Purchased for Member	\$14,306,651	\$16,583,870
Lines-Dist./Operations & Transmission	\$1,749,360	\$1,638,707
Line-Distr./Maintenance	\$893,933	\$813,828
Consumer Accounting	\$489,146	\$486,901
Administrative & All Other	\$1,278,539	\$1,277,341
TOTAL OPERATIONS & MAINTENANCE EXPENSE:	<u>\$18,717,629</u>	<u>\$20,800,647</u>
FIXED EXPENSES:		
Depreciation	\$1,265,052	\$1,256,386
Interest on long-term debt	\$674,051	\$718,203
TOTAL COST OF ELECTRIC SERVICE:	<u>\$20,656,732</u>	<u>\$22,775,236</u>
Operating margins	\$3,193,950	\$1,640,858
Non-operating margins	\$1,553,463	\$147,771
NET MARGINS:	<u><u>\$4,747,413</u></u>	<u><u>\$1,788,629</u></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*
Dale Rikala — *Line Superintendent*
Don Criswell — *Roundup Assistant Line Superintendent*
Sally Horacek — *Office Manager*
Janine Rife Didier — *Financial Analyst*
Bret Ophus — *Foreman*
Jim Richter — *Foreman*
Dean Lawler — *Roundup Foreman*
Richard Anderson — *Roundup Serviceman*
Ryan d'Autremont — *Transformer Repairman*
Kerby Durbin — *Meter Technician*
Brian Godbey — *Serviceman/Meter Tech*
Louie Hould — *Serviceman*
Guy Johnson — *Staking Engineer*
Melanie Foran — *Staking Engineer*
Monte Obert — *Staking Engineer*
Susan Hinkley — *Senior Billing Clerk*
Erika Mattaliano — *Billing Clerk*
Vangie McConnell — *Benefits/Communications*
Sue Werdin — *Cashier*
Bret Nelleremoe — *Roundup Journeyman Lineman*
Curt Olson — *Journeyman Lineman*
Tyson Ruff — *Journeyman Lineman*
Mark Schwomeyer — *Journeyman Lineman*
Casey Kombol — *Roundup Apprentice Lineman*
Tom Simons — *Mechanic*