

F E R G U S

FEATURES

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

Representing the Membership

Fergus Electric Cooperative's board of directors is made up of seven of the co-op's 3,871 members. They are your friends and neighbors. They support the communities, businesses, schools, churches and clubs in the seven districts and 14 counties that they represent. Cooperatives are unique kinds of businesses. They are created and operated to serve members' needs. Directors are elected by the membership to oversee the operations of your cooperative and work collectively to represent the best interest of their fellow members. To represent all members effectively, directors must know what members need. They must also assess the cooperative's abilities to meet those needs. Members invest in the cooperative and they support it. Members understandably expect their cooperative to function with the appropriate mix of rights and responsibilities for everyone, and they expect the board to uphold those expectations. Directors must understand the strengths and weaknesses of the cooperative and make judgments based on a thorough understanding of the cooperative's resources and its employees so they can be used to the members' and cooperative's best advantage.

Your board of directors is the governing body for Fergus Electric Cooperative, Inc. They set policy,



strategic direction, rates and budgets. They work hard to understand the complexities of the electric utility industry. In addition to serving on Fergus Electric Co-op's board, your directors attend classes, serve on committees, and serve on the Montana Electric Cooperatives' Association and Members 1st

boards.

One of the first steps a new board director takes soon into their three-year term is to attend a set of five courses that focus on basic governance knowledge and the essential skills required of cooperative directors to earn their certificate to become a Credentialed Cooperative

Director (CCD). Being a director of a cooperative isn't easy. In the past three years, each of Fergus Electric Co-op's directors devoted an average of 27 hours every month to working on co-op business. In addition to discussing issues with the general manager, the board of directors seeks legal advice from the corporate counsel. Cooperative directors make decisions that aren't required in a non-cooperative organization. Some decisions are easy to make, while other decisions are difficult. The overall guide for making these decisions is to determine what is best for the cooperative — and what is best for the cooperative's membership.

Directorship presents an opportunity to serve others in direct and important ways. Beneficiaries of a successfully guided cooperative include members and patrons, the cooperative's management and employees, the individuals and businesses that deal with the cooperative, and the communities in which the cooperative and its members and employees are located.

Fergus Electric Cooperative is member-owned. It is the responsibility of the board of directors, management and staff to do their best to represent the membership they serve.

President's Report

Working safe

It's hard to believe that another year has passed. Seems like it wasn't that long ago that I last reported to you. One more time!

I'm happy to report we had a very good year at Fergus Electric Cooperative. Our crews continue to do their dangerous work safely and efficiently. Keep up the good work guys!

First-rate truck garage

At our 2017 annual meeting, the membership approved building a new truck garage. The purpose was to be able to house our valuable equipment when not in use. The truck garage is basically finished. Concrete aprons need to be poured in front of the overhead doors, and water into and out of the building needs to be completed. The truck garage is a beautiful building. We were able to put it to use during the



*Bob Evans
president*

during an outage. Thanks to you, the membership, for making this happen.

Capital credits

Many of you here received a capital credit check in the past year. The board of directors is pleased to report that the cooperative's goal is a 25-year repayment schedule on capital credits. In 2018, the co-op paid more than \$1.1 million dollars to you, the members. About 20 percent of that was to estates, and the balance to the membership. The

past winter and, fortunately, the heating system worked well. The crews really appreciated being able to get into a warm, clean piece of equipment and head out to restore power

board has a goal of continuing to pay out capital credits to the membership annually.

Black Butte Copper Mine

We have been working with Sandfire Resources, the entity that is developing the Black Butte Copper Mine north of White Sulphur Springs. This project is a huge one, and is taking a lot of time. The project is moving forward slowly but surely, and we are looking forward to serving the load in late 2021. This project will be a very welcome additional electric load for the cooperative.

Appreciation

Once again, I would like to thank all of the co-op's employees for their hard work and dedication to Fergus Electric. We are very fortunate to have such a good group of employees.

We look forward to seeing everyone at the annual meeting on June 6. Hope you can attend.

81st Annual Meeting

Thursday, June 6, 2019

*Fergus County Trade Center
Lewistown, Montana*

Registration: 11 a.m. – 2 p.m.

Lunch: Noon

Business Meeting: 1 p.m.

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
Susan Hinkley – Senior Billing Clerk
Erika Mattaliano – Billing Clerk
Sue Werdin – Cashier
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
Jake Grensten – Journeyman Lineman
Casey Kombol – Roundup Apprentice Lineman
Bret Neller-moe – Roundup Journeyman Lineman
Tyson Ruff – Journeyman Lineman
Mark Schwomeyer – Journeyman Lineman
Dakota Wahl – Journeyman Lineman
Jason Deffinbaugh – Mechanic
Guy Johnson – Staking Engineer
Melanie Foran – Staking Engineer
Monte Obert – Staking Engineer
Scott Olson – Staking Engineer



Manager's Report

Scholarships

Thanks to Montana lawmakers passing a law years ago permitting electric cooperatives to place unclaimed capital credits into a fund used for education purposes, Fergus Electric Cooperative is very pleased to be able to award 10 \$1,000 scholarships during its annual meeting to students whose families are served by Fergus Electric. As the general manager, I consider this to be one of the most rewarding and enjoyable things the cooperative does at our annual meeting.

Montana Electric Cooperatives' Association (MECA)

We are pleased to have Gary Wiens, the new MECA CEO, speak at our annual meeting about the 2019 Montana Legislative Session and federal legislative issues concerning electric cooperatives. Gary will also provide an overview of MECA and what is going on across the state of Montana.

Metering system upgrades

Over the past couple of years, I have used this column to let you know that our old metering system, which we often refer to as "turtle" meters, has become obsolete and that metering system upgrades are needed. Now I can report that the first phase of work to upgrade the co-op's metering system is about to begin in the test area of Hilger. Upgrading the entire metering system is a big task that will take the co-op at least two to three years to complete.

Rebuilt transmission line

Rocky Mountain Contractors completed the seven miles of newly rebuilt 50 kilovolt transmission line north of Lewistown. This was a difficult project for our contractor to complete during the winter, while keeping the transmission and distribution wires energized for most of the project.

There were several outages for Winifred and Hilger members, still the contractor did an excellent job of keeping the outage time to a minimum. A sincere thank-you to members who granted the cooperative easements for the line rebuild. Likewise, thank you to all the members who endured power outages this last winter during the construction of this key transmission line that provides power to four substations — Hilger, Winifred, Roy and Carter.



*Scott Sweeney
manager*

Finally, the cooperative thanks Rocky Mountain Contractors and its line crews for the good work they did, and for enduring the cold February temperatures to get the work done.

Construction completed in 2018

In 2018 the cooperative's line crews built 76 new services, which included 35 new homes, 11 new commercial meters, seven new irrigation pumps, one new cell tower, two new cabins, and 20 new stockwells, barns or ranch services. Approximately \$500,000 was paid to the cooperative in aid-of-construction for these new services. The Roundup substation added the largest number of new services at 13.

The co-op's line crews retired 325 poles, all of which were too old to reuse, and the crews installed 238 new poles. About three-eighths mile of three-phase overhead power line was replaced with three-phase underground power line due to high water washing out power poles.

Strong financials

Fergus Electric had a strong operating margin of about \$2.3 million in 2018. Due to these margins no money had to be borrowed in 2018, and the cooperative is not anticipating a rate increase in 2019.

The cooperative has budgeted to pay out a total of about \$1 million in capital credits in 2019. The plan is to

pay out approximately \$750,000 in a general capital credit retirement in November 2019, and about \$250,000 in estate capital credits will be paid out throughout the year.

Long-term goals

The board and management held a strategic planning session in October 2018, during which several goals were set. Key goals were providing both reliable and affordable power to the membership. In order to maintain and even improve reliability, the aging plant needs to be systematically replaced. The cooperative's very large service territory includes 3,925 miles of power line, and that means a ton of work needs to be done on an ongoing basis to keep the system operating efficiently. The work required to replace old poles; cut down trees; and replace old underground wire, old transformers and meters requires money and well-trained employees.

Other long-term goals for the co-op are to continue to pay out capital credits, maintain adequate cash reserves and keep the cooperative strong financially.

It is important to plan for the cooperative's future, and for the board of directors to set long-term goals.

Closing

As the cooperative's general manager, I am thankful to be able to work, and to enjoy all the beauty and the gracious people of central Montana! I appreciate the dedication and hard work of our board of directors and all of our employees. I feel that we have the cream of the crop!



2018 scholarship winners.

Annual Financial Report

	2018	2017
ASSETS		
ELECTRIC PLANT:	\$55,912,163	\$53,135,981
Less: Accumulated Depreciation	\$25,076,273	\$23,906,753
Net utility plant	\$30,835,890	\$29,229,228
Investments in associated organizations	\$1,436,630	\$1,449,772
CURRENT ASSETS:	\$10,092,069	\$9,616,883
DEFERRED DEBITS:	\$1,033,476	\$1,189,574
TOTAL ASSETS	\$43,398,065	\$41,485,457
LIABILITIES & MEMBERS' EQUITY		
TOTAL MARGINS & EQUITIES:	\$22,767,185	\$20,295,816
TOTAL LONG-TERM DEBT:	\$11,968,986	\$13,995,759
CURRENT LIABILITIES:	\$4,491,468	\$3,809,126
DEFERRED CREDITS:	\$4,170,426	\$3,384,756
TOTAL EQUITIES & LIABILITIES	\$43,398,065	\$41,485,457
COMPARATIVE STATEMENT OF REVENUE AND EXPENSES DECEMBER 31		
Operating revenues	\$27,092,797	\$22,735,465
VARIABLE EXPENSES:		
Power purchased for member	\$17,659,364	\$12,083,492
Lines Costs	\$3,078,078	\$2,992,102
Administrative & all other	\$2,165,216	\$1,948,766
TOTAL Variable Expenses	\$22,902,658	\$17,024,360
FIXED EXPENSES:		
Depreciation	\$1,310,792	\$1,288,077
Interest on long-term debt	\$566,702	\$607,602
TOTAL COST OF ELECTRIC SERVICE:	\$24,780,152	\$18,920,039
Operating margins	\$2,312,645	\$3,815,426
Non-operating margins	\$1,193,496	(\$245,403)
NET MARGINS:	\$3,506,141	\$3,570,023



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



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 Rikala406-366-3374
Bret Ophus406-366-7523
Guy Johnson406-366-9170
Scott Sweeney406-538-7218
Don Criswell (Roundup)406-366-3465
David Dover.....406-366-1975
Melanie Foran406-462-5650

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Facebook: www.facebook.com/ferguselectric

Scott Sweeney General Manager

David Dover Assistant Manager

Dale Rikala Operations Supervisor

Sally Horacek Office Manager

Janine Rife Didier Editor

Fergus Electric is an equal opportunity provider and employer.

BOARD OF DIRECTORS

District 1: Paul Descheemaeker, Vice President, Lewistown, 428-2417

District 2: Brett Maxwell, Lewistown, 538-9002

District 3: Brad Arntzen, Hilger, 462-5555

District 4: Cathy Kombol, Roundup, 428-2202

District 5: Terry Frost, Sec./Treas., Roundup, 323-3415

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

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

Fergus Features is an award-winning newsletter.