



A Touchstone Energy® Cooperative 

FEM Electric
800 5th Avenue
PO Box 468
Ipswich, SD 57451
www.femelectric.coop





COOPERATIVES
powered by
PEOPLE

FEM ELECTRIC COOP.

2014 ANNUAL REPORT

June 16, 2015



FEM Electric Association, Inc.

67th Annual Meeting

Tuesday, June 16, 2015

Father Bormann Hall, Ipswich

Agenda

5:00 PM Doors Open for Registration
Meal will be served at the time of registration

6:30 PM Registration Closes
Meeting called to order – Frank Heinz, Jr., President
Invocation – Gary Bachman, Vice President
Welcome with Special Guest Recognition -Frank Heinz, Jr.
National Anthem
Children Adjourn to Kids' Program
Business Meeting Opens
Declaration of Quorum – Larry Bowar, Secretary
Notice of Meeting and Proof of Mailing – Larry Bowar
Minutes of 2014 Annual Meeting – Larry Bowar (page 3)
Unanimous Ballot For Director District 5 -
Vaughn Beck, Attorney
President Report – Frank Heinz, Jr., President (page 5)
Guest Speaker - Tom Boyko, General Manager
East River Electric Cooperative
Treasurer Report – Gerald Haupt, Treasurer (page 6)
Manager Report – Scott Moore, Manager (page 4)

Youth Scholarships & Trips Recognition –
Tom Thorpe, Asst. Sec./Treasurer (page 12)
Basin Electric \$1,000 Scholarship –
Kristi Pond, Ipswich & Tori Moore, Ipswich
FEM \$500 Scholarships –
Sydney Hammrich, Ipswich
Francine Hoffman, Leola
Touchstone Energy Scholar of the Week \$100 –
Francine Hoffman & Kristi Pond
Washington, DC Youth Tour Trip –
Brandon Beutler & Jesse Weber, Eureka; Joseph
Kretchman, Mansfield; and Tori Moore &
Autumn Pitz, Ipswich
Old Business – Frank Heinz, Jr.
New Business – Frank Heinz, Jr.
Adjournment
Grand Prize Drawings (must be present to win)
\$250 \$100 \$100 \$50
Girl & Boy Bike Drawing
(20) Balloon Ride Drawings (weather permitting)

FEM Electric Association, Inc. Official Notice of Annual Meeting of Members

Notice is hereby given that the 67th Annual Meeting of the members of FEM Electric Association, Inc. will be held at the Father Bormann Hall in the City of Ipswich, State of South Dakota, **at six-thirty p.m. on Tuesday, June 16, 2015** for the purpose of:

1. The reports of officers, directors and committees.
2. The election of directors for three-year terms. In connection with the election of directors at this meeting, the following member has been nominated for director by the Nominating Committee in accordance with the bylaws of the Cooperative:

District 5 Larry Bowar

Please take further notice that any fifteen or more members of the cooperative may make additional nominations by listing their nominee and the appropriate Directorate District and signing such Petition of Nomination. The petition must be submitted to the board of directors at least 25 days prior to the annual meeting. Any such petition so submitted will be posted along, with the list of nominations made by the Nominating Committee.

3. Transacting any such other business as may properly come before the meeting or any adjournment thereof.

Larry Bowar, Secretary, FEM Electric Association, Inc.

2014 FEM Electric Annual Meeting Minutes

The 66th Annual Meeting of the members of FEM Electric Association, Inc. was held at 6:30 p.m. at the Father Bormann Hall in Ipswich, SD on Thursday, June 19, 2014 with 152 members registered. Capital Credits checks were not distributed at the annual meeting, but a FEM/East River/Basin capital credit retirement has been approved and will be done in July 2014.

An evening meal was provided to the members and guests after they registered. Alden Flakoll called the meeting to order. Gerald Haupt announced that the annual meeting was dedicated to Alden Flakoll for serving on the FEM board of directors 37+ years. Thanks was given to the Holy Cross Altar Society serving the meal and Bob Gale providing sound and video. Gerald then announced special guests, retired employees and directors, and current directors and their spouses. The National Anthem was presented via video and then the kids were dismissed to the children's program.

Secretary Larry Bowar declared that there was a quorum present to do business and he read the official notice of the meeting and proof of mailing. Larry entertained a motion to dispense with the reading of the minutes from the 2013 annual meeting and accept the minutes as distributed in printed form on page 4 of the annual report. Motion to approve was made, seconded, and carried.

Attorney Vaughn Beck introduced the Nominating Committee: Kevin Lapka, Brian Hauck, Lee Kindelspire, Evan Haar and Darrell Davis. The following candidates were nominated for re-election in District 2 – Tom Thorpe and District 3 - Gary Bachman. No petitions for nominations were turned in. Attorney Beck asked for a motion and a second to cast a unanimous vote to officially elect Tom Thorpe for District 2 and Gary Bachman for District 3, motion carried.

The East River video was shown introducing Tom Boyko, the new general manager of East River Electric. He praised and thanked the previous East River General Manager Jeff Nelson. Tom gave his biography on his education and family. He explained the relationship between Basin Electric and FEM. He presented the seven coop principles that guide the cooperatives. East River remained strong in 2013 and is moving ahead with smart grid technology and continuing to provide load management to consumers for cost savings. Tom

stated that Touchstone Energy is 15 years old and he thanked the members for supporting and helping to make the Touchstone Energy brand name a success. Regulating carbon is still in the forefront but coops are committed to be good stewards while looking at the impact of coal plants. A solar working group has formed. Solar is being developed to create solid strategy to utilize this resource. Tom announced that a new wind farm is to be operational by end of 2013. This will bring East River's wind energy production to 1,100 MGW. The REED fund was explained and noted that it is used for local communities towards hospitals, schools, fire departments, and businesses. He thanked Scott and Alden for being strong leaders for FEM and its members.

Alden Flakoll gave the President's report. He welcomed the members and stated this was his final board report after 37 and a half years of service to FEM. He presented history on FEM Electric since the beginning in 1945. He explained the changes in the revenue and financials over the years. Alden presented some of the milestones over the years and also some of the worst crises. He explained the creation of the REA program enacted in 1935 and stated that it has always been a political battle. He presented the partnerships and programs FEM has been a part of over the years. Alden encouraged members to stay involved and consider becoming a member of the ACRE Political Action group. Rural electric and its members need to stay in strong personal relationships with legislators. Members must stay an informed consumer, be prepared, and stay involved. He reminded everyone that the outcome depends on how well we do our job. He closed by thanking the members for allowing him to serve them over the years.

Special guest Sheldon Petersen, CEO of National Rural Utilities Cooperative Finance Corporation (CFC), was introduced by President Alden Flakoll. Sheldon stated that FEM is part of 1,000 electric coops and that the cooperative annual meetings are to celebrate the uniqueness of the cooperative business of rural electrification. He explained the network the members are part of starting with the electric coop, 18 million meters, 43% of all power lines and 70,000 employees, etc. Cooperatives find a way to get things done. He stressed how many cooperatives have been formed by cooperatives and they are partially owned by the members of FEM Electric. The cooperatives explained

were the National Rural Electric Cooperative Association (NRECA) which in the beginning was formed to assist with getting material for cooperatives and evolved in to lobbying, benefit and training programs for employees, etc., South Dakota Rural Electric Association (SDREA) represents members at the capitol in Pierre when SD coops face challenges, East River Electric Power Cooperative and Basin Electric Power Cooperative for transmitting power, Federated Rural Electric Insurance providing insurance to the electric coops when no other insurance company would supply coverage, National Rural Telecommunications Cooperative (NRTC) began to improve technology by offering TV and Wildblue internet services to cooperatives for resale and CFC for providing financing. Sheldon stressed FEM's members are owners of CFC and he appreciates the support shown to the CFC organization.

Treasurer Frank Heinz announced the financial report was printed on pages 8-11 of the annual report handed out to all members at the beginning of the meeting. He gave a recap of 2013 stating the kwh sales increased to 147,179,357 and revenue is comprised of 65.9% commercial and 32.8% residential. The 2014 GIS project was explained and the strength of partnerships were reviewed. FEM will be retiring \$202,653 in FEM capital credits and \$40,116 in East River and Basin capital credits. Members were told to watch for this credit on their July energy statement. The FEMA reimbursement process is nearing the end and has made our system stronger for generations to come. Equity continues to grow back to the pre-storm levels and is currently at 32.10%.

General Manager Scott Moore assured the members that the employees and directors are dedicated and working for the member/owner's best interest. FEM works hard to keep the members informed on local, state and national issues while striving to provide safe, reliable, and affordable power. Members were reminded that they are part owners of North Star Energy which was created to provide a service to our members while working to keep the propane pricing affordable. Members were encouraged to stay informed with the possible EPA regulations and make sure their voice is heard. The FEM employees and directors will stay engaged daily and work hard to meet members' electric needs and stay ahead of changing policies and technology. All members were

thanked for taking time to attend.

Vice President Gary Bachman explained FEM's commitment to the youth in our area. He announced the 2013 Youth Excursion attendees – Lane Melius, Taylor Faw, Rachel Geier, Autumn Pitz, Emily Smith and Jacob Lux. The Washington DC Youth Tour participant was Francine Hoffman. The \$1,000 Basin Scholarship was presented to Elizabeth Anderson and the \$500 FEM Scholarships were presented to Cassius Pond and George Lapka. Tory Makela was also recognized as a January 2014 Scholar of the Week.

Alden Flakoll began the business part of the meeting by asking the members if they had any old business to discuss, there being none, he asked if there was any new business. Alden encouraged members to ask any questions that they might have. There were no business items or questions brought up at the meeting.

An ACRE Co-op Owners for Political Action video was shown to the members. The message was clear that we all have a voice and make sure your voice is heard. Scott Moore also reminded members to join ACRE and get the younger generation involved in their cooperative. He encouraged members to bring them to the annual meeting and to keep informed. Alden Flakoll stressed the importance of grass roots.

Stephanie Horst explained the new Connection Card. She stated the board was supportive of offering this to our members to hopefully aid in their saving money in many areas such as prescriptions, medical, dining, services, travel, etc. Members were encouraged to watch the Cooperative Connections for new discounts being offered in our area.

In closing, Alden Flakoll had all employees stand and be recognized. He thanked his wife, Wilma and Sheldon Peterson for their support over the years. He especially wanted to thank the members as they are the reason FEM Electric exists today. Alden closed in prayer/song – God Bless America.

Motion was made to adjourn the meeting, seconded and carried.

The Grand Prize Drawings were held: \$250 – Joe Saylor, Eureka; \$100 – Ipswich Flying Club/Chuck Rappe, Ipswich; \$100 – Harvey and Betty Heyd, Long Lake; \$50 – Val and Leota Goetz, Onaka. Lee Oster from Eureka was drawn for the 2014 Basin Trip.

General Manager Report



Scott Moore
General Manager /CEO

FEM Electric was blessed again in 2014 with strong financials, no lost time accidents, and a healthy farm economy. Within FEM Electric's service territory we not only have three

strong farm cooperatives, but multiple agriculture businesses available to help keep our farms operating efficiently in this fast paced, high tech industry. FEM is a recipient of this good economy with continued growth on and off the farm, creating record electric sales in 2014, along with a loyal membership.

This past year, we have continued our work within all school districts in our service territory by reaching out and instructing your children and grandchildren on electrical safety, how electricity is produced and transported, along with teaching why cooperatives were created, how they operate and are governed. We also attended several sporting events and handed out treats (Cracker Jacks). We awarded three scholarships and one Touchstone/KSFY scholarship in 2014. FEM Electric management and board feel that our youth is our future. Good employees and directors are a must for the cooperative business model to continue now and in the future, and these kids will someday be your employees and directors.

Local control is a must so our members can continue to grow, and the net margins stay within our communities and surrounding areas.

Electric cooperative board and employees are fortunate as FEM belongs to South Dakota Rural Electric Association (SDREA) and National Rural Electric Cooperative Association (NRECA). Through NRECA, our board and employees have the opportunities to attend classes that are designed for their positions. In 2014, Tom Thorpe completed NRECA's Coop Credentialed Director (CCD) course, which takes a week of classes and test to complete. Angie Sieh completed her online NRECA

Work Order Accounting class and Crystal Thorson completed the same class in early 2015. They join Carol Schaffner who completed her class several years ago. FEM Electric GIS Coordinator and Engineer Jim Resmen completed a course and took the South Dakota Electrical Class B test to reinstate his electrical license. Stephanie Horst completed an online and classroom course to receive her NRECA Cooperative Communicators Certificate (CCC) diploma. Each individual took the courses to further their education and to better serve FEM Electric and you the members. I consider all FEM Electric employees electrical experts. If they don't have the answer to your questions, they have the resource to find the answers.

In 2014, the operation crews moved from underground construction of power lines to building overhead electric lines. With the return of 2400 poles and hardware from our storm rebuild our line crews built seventeen miles of overhead in 2014; thereby, replacing some of our oldest electric lines. These new overhead lines have heavier poles placed closer together with larger conductor. Crews have started to test transformers for contaminants, complete maintenance, and tree trimming found during line patrol. New line or old electric lines all need maintenance to keep them operating efficiently.

FEM Electric's mission statement is "To enhance the quality of life of our members, by safely providing reliable, cost-efficient electricity and other services". This mission gives your directors and employees an obtainable goal to reach each and every day. As Manager/CEO of FEM Electric, it's my goal, along with the board and employees, to keep all employees, members, and the public safe.

Respectfully Submitted,

Scott Moore

Board President Report



**Frank Heinz, Jr.
Board President**

Good evening ladies and gentlemen. I would like to welcome all of you to your annual FEM meeting. Reflecting back on 2014, it was a good year for your coop. This is due to the cooperation of you, our members and

the hard work and dedication of all the staff here at FEM Electric. 2014 was also a good year because the January 2010 storm reimbursements were completed by FEMA. The total storm costs submitted were \$24,203,096 and \$4,938,565 for relocate projects. Total payments received were \$23,932,837. The last payment was received October 14, 2014. A tremendous amount of work went into documenting and preparing everything to FEMA's specifications. Our entire staff worked together and did a great job to accomplish this. We are very thankful for their efforts. Over 50 percent of our system is now new and should last for many years.

Early in the year, three energy bills were introduced to the state legislature. Senate bill 131, a bill addressing stray voltage, Senate bill 136, a tax bill and Senate bill 180, a wind energy bill. Through a lot of hard work, all three bills passed. Senate bill 136 was vetoed by Governor Daugaard. However, the veto was overridden by a vote of 31 to 1 in the Senate and 63 to 1 in the House.

Throughout the year, we have been promoting a grassroots effort to address the EPA's 111d Clean Air Act. We thank you for the great number of cards and comments that were mailed by FEM members and from everyone across the state. We realize greenhouse gas emissions must be regulated, but only if in a fair and feasible way. Our coal fired generation plants have spent billions of dollars upgrading their facilities so they are in compliance with EPA. They will continue to upgrade when new technology becomes available, but closing these facilities is not the answer.

Hot water heaters are another issue EPA is trying to regulate. With larger water heaters, electric companies

are able to control demand at peak times. This reduces energy usage and costs that are passed on to the consumer. We ask that you continue to help us with these issues that are sensible solutions we can all live with. Filling out comment cards and joining ACRE are two great ways to accomplish these goals.

After more than two years of study and consideration, Basin Electric Power Cooperative is joining Southwest Power Pool. SPP is a Regional Transmission Organization that will allow Basin Electric to buy and sell energy on the open market. Joining SPP will open new markets in large cities to the south and east that use large volumes of energy. The projected date for Basin Electric to become an SPP member is October of 2015. At the present time, East River Electric is also studying the feasibility of joining SPP.

FEM has had growth in kilowatt sales almost every month and closed 2014 very strong. This is due to the construction of new shops, houses, and grain bins in our service territory. With the growth of FEM, the office space has become overly crowded and inefficient. In October of 2013, the board began discussing new offices and truck bays. After many hours of discussion and planning, we agreed on a design that will accommodate our staff and equipment for many years to come. In December of 2014, FEM awarded the bid to Quest Construction and in March of 2015 construction began. The completion date is November of 2015. When completed, we will have an open house for your viewing. Please plan to attend.

That is a brief overview of your cooperative in 2014. At this time, on behalf of the board, I would once again like to say thank you to the efficient staff at FEM and you the members. May God bless and keep everyone safe and happy

Respectfully Submitted,

Frank Heinz, Jr., President

Treasurer's Report



Gerald Haupt
Treasurer

It is my pleasure to provide you with the financial statements for 2014. All records were audited by the firm of Eide Bailly, LLP of Sioux Falls and produced a clean audit report.

FEM's total utility plant at the end of 2014 was \$27,039,679 and we have depreciated \$7,056,042 which leaves \$19,983,637 in un-depreciated plant. We had investments and cash on hand in the amount of \$6,444,934 which includes capital credits due from power suppliers and other organizations with which we do business. Other assets, which includes inventory, accounts receivable, prepaid accounts and other partnership investments were \$3,284,606. The accounts receivable balance for the December 2010 ice storm FEMA reimbursement is \$0. FEMA made the final payment for work completed in October of 2014. **Total assets for 2014 were \$29,713,177.**

On the other side of the ledger, "What We Owe" includes notes due to the Rural Utilities Service (RUS) and other lenders in the amount of \$17,067,886. A storm line of credit was established in 2010 with the National Rural Utilities Cooperative Finance Corporation (CFC) which had a balance of \$1,525,252 at year end. The storm line of credit was paid off and refinanced with long term debt in February 2015. Accrued tax expense, customer deposits, notes payable and deferred credits were \$1,214,128. Patronage capital and other equities, which are primarily the margins generated by your cooperative since 1996, were \$9,905,911. **The total liabilities and equities were \$29,713,177.**

On page 9, you will find the Income and Expense Statement for 2014. **Total operating income for 2014 was \$13,739,713** which is up \$794,321 from 2013. Revenue from residential customers was \$4,336,296 and revenue from commercial customers was \$9,246,530.

Total expenses were \$13,048,860, which included power costs of \$8,977,362 at an increase of \$370,765. Operations and maintenance expenses were \$1,082,245, an increase of \$156,272. Operations and maintenance expense is increased due to the focus on maintenance of existing lines and beginning our Geodigital Information System (GIS) project. Customer services, sales, and office expense was \$1,331,041, an increase of \$245,119. In 2014 FEM Electric donated \$45,219 worth of excess overhead material from the 2010 storm rebuild project to NRECA International. A strategic planning phase for a building study was completed in 2014. The board approved moving ahead to building planning and construction. Depreciation expense was \$726,967, which was an increase of \$5,864. Tax expense was \$241,899, which was an increase of \$4,252. Interest expense was \$688,517 which was a decrease of \$108,105. The interest expense on the storm line of credit was \$92,055 which was a decrease of \$88,524.

FEM's patronage capital and operating margin was \$690,853. Non-operating margin was a negative \$198,092. There was a mid-year loss on investment of \$304,869 recorded at December 2015 for North Star Energy. See page 14 for more information on North Star Energy. East River and other margins, which are capital credit allocations from other cooperative organizations which we do business with were \$359,416. The total margins were \$908,940.

In 2014, the Commercial revenue increased and is 67.3% and residential decreased and is 31.6%. On pages 7 through 9, you will find a comparison of various operating statistics for the calendar years 2013 and 2014. **Sales were increased 4,121,773 kWhs and the number of connected meters increased by 8 for a total of 2,135.** The average monthly residential usage increased 8 kWh and the average monthly residential bill increased by \$1.33. Also included are a number of graphs that show the breakdown of revenue and expenses for 2014 and also chart our history for the last five years.

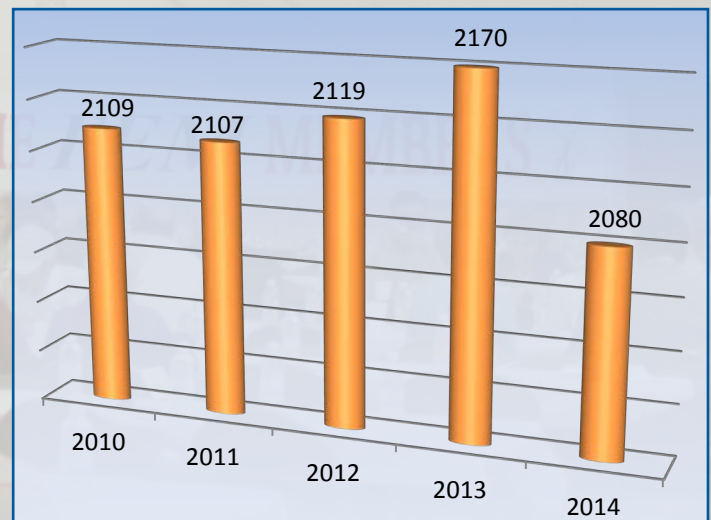
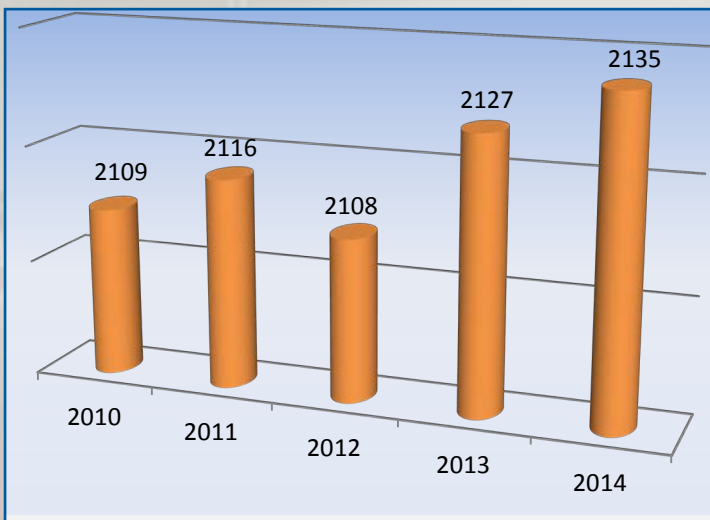
Respectfully submitted,
Gerald Haupt, Treasurer

Comparative Operating Statistics

December 31	2012	2013	2014
kWhs Purchased	138,743,058	151,473,758	156,332,148
kWhs Sold	133,831,682	147,179,357	151,301,130
Estimated kWhs Used in December Sold in January	1,672,495	1,014,961	1,035,025
kWhs Unaccounted for (Line Loss, etc.)	3,238,881	3,279,440	3,995,993
Percent of kWhs Unaccounted for	2.334%	2.165%	2.556%
Number of Connected Consumers	2,108	2,127	2,135
Number of Idle Services	108	109	111
Average Monthly kWh (All)	5,291	5,799	5,906
Average Monthly kWh (Residential)	1,264	1,588	1,596
Average Monthly Bill (All)	\$454.13	\$508.48	\$534.35
Average Monthly Bill (Residential)	\$156.97	\$189.23	\$190.56
Average Cost of Power Purchased at Substations	\$.0548	\$.0568	\$.0574
Average Selling Price Per kWh	\$.0858	\$.0877	\$.0905
Miles of Line Energized	2,119	2,170	2,080
Consumer Density Per Mile (Energized)	1.00	1.02	.97

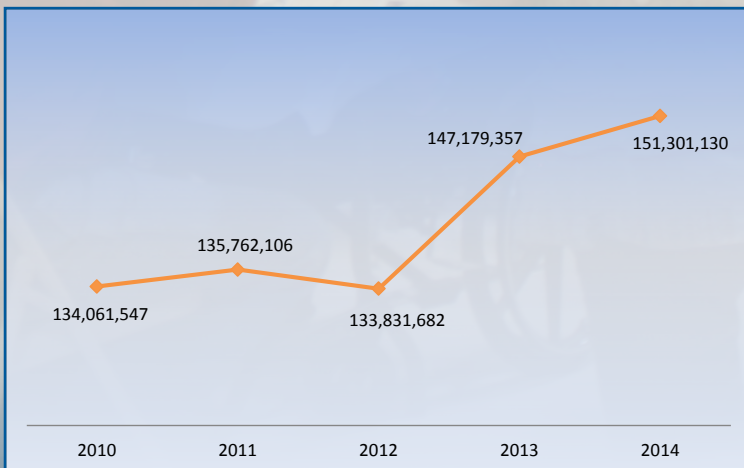
Connected Consumers

Miles of Line



Total kWh Sales

2014 kWh Generation Tax By School District



School District	Total
Hoven 53-2	1,447
Northwestern Area 56-7	7,124
Faulkton Area 24-3	50,062
Edmunds Central 22-5	32,976
Ipswich 22-6	292,133
Bowdle 22-1	18,973
Warner 6-5	83
Eureka 44-1	16,150
Leola 44-2	50,732
Total	\$ 469,680

Financial Statements

WHAT WE OWN:

	2013	2014
Total Utility Plant	\$27,681,492	\$27,039,679
Less: Reserve for Depreciation	<u>-7,957,369</u>	<u>-7,056,042</u>
Total Utility Plant, less Reserve for Depreciation	19,724,123	19,983,637

CASH AND INVESTMENTS:

Cash on Hand – In Banks	933,157	1,046,660
Investments	<u>5,052,752</u>	<u>5,398,274</u>
Total Cash and Investments	5,985,909	6,444,934

OTHER ASSETS:

Accounts Receivable-Consumer/Other	893,321	1,147,731
Accounts Receivable-FEMA	3,122,415	0
Material and Supplies	970,749	771,036
Prepayments	30,733	56,842
Interest Receivable	3,449	3,410
Deferred Debits	652,012	588,249
Notes Receivable	53,543	44,068
Other Investments	<u>880,728</u>	<u>673,270</u>
Total Other Assets	6,606,950	3,284,606

TOTAL ASSETS	\$32,316,982	\$29,713,177
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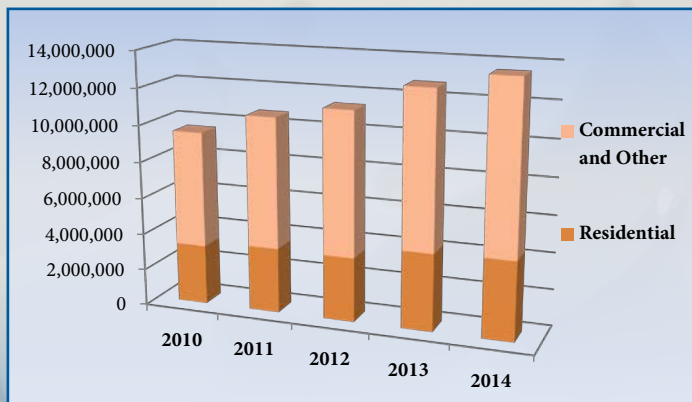
WHAT WE OWE:

	2013	2014
Total Borrowed from RUS	14,017,500	16,017,500
Less: Principal: Payments	<u>2,642,658</u>	<u>2,981,819</u>
Net Obligations to RUS	11,374,842	13,035,681
Long-Term Debt – RUS Rural Development Loan	0	0
Long-Term Debt – Other (Net)	4,289,604	4,032,205
Long-Term Debt – Storm Line of Credit	6,183,147	1,525,252
Accrued Taxes and Liabilities	354,124	368,131
Deferred Credits (Consumer Prepayments & Deposits)	11,028	8,782
Notes and Accounts Payable	<u>827,237</u>	<u>837,215</u>
TOTAL AMOUNT WE OWE	23,039,982	19,807,266

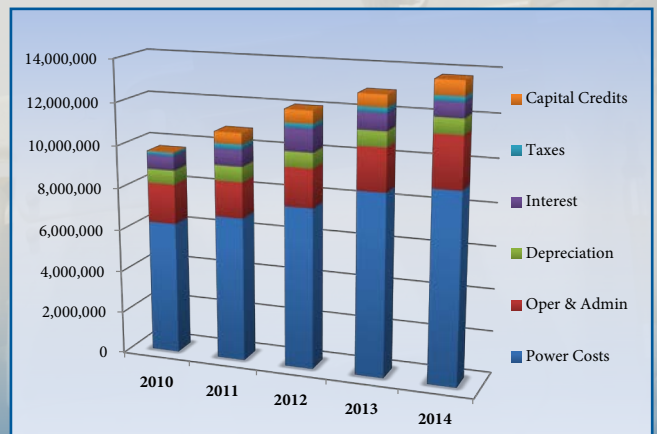
EQUITIES:

Patronage Capital and Other Equities	9,277,000	9,905,911
TOTAL LIABILITIES AND EQUITIES	\$32,316,982	\$29,713,177

Revenue Comparison



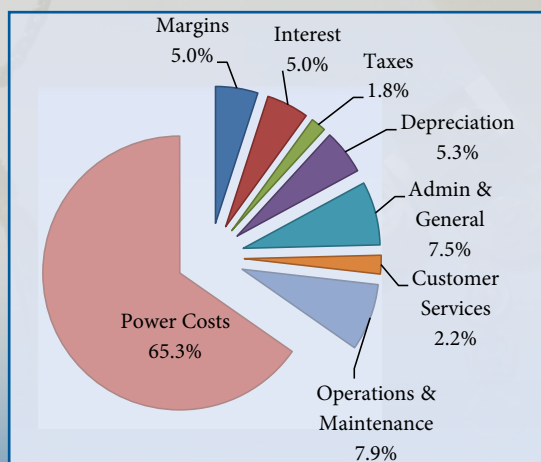
Revenue Allocation



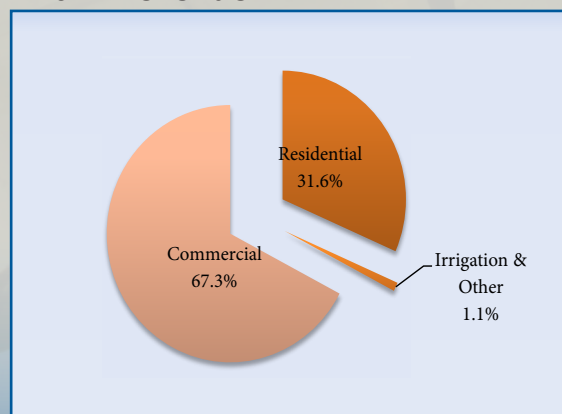
Income and Expenses

REVENUE:	2013	2014
Residential Sales	4,246,219	4,336,296
Irrigation Sales	128,851	104,312
Commercial Sales	8,527,601	9,246,530
Street Lights	2,444	2,934
Other Operating Revenue	<u>40,277</u>	<u>49,641</u>
TOTAL REVENUE	12,945,392	13,739,713
EXPENSES:		
Cost of Power	8,606,597	8,977,362
Line Operations	499,283	495,426
Line Maintenance	426,690	586,819
Consumer Accounting and Collecting	137,114	171,692
Customer Service and Sales Expense	121,483	131,613
Administrative and General Expenses	827,325	1,027,736
Depreciation	721,103	726,967
Taxes	237,647	241,899
Interest Expense	616,043	596,462
Interest Expense – Storm Line of Credit	180,579	92,055
Other Deductions	<u>1,660</u>	<u>829</u>
TOTAL EXPENSES	12,375,524	13,048,860
PATRONAGE CAPITAL CREDIT/MARGINS:		
FEM Operating Margins	569,868	690,853
Non-Operating Margins	333,116	(198,092)
East River/Basin Margins	401,985	359,416
Other Margins	<u>59,632</u>	<u>56,763</u>
TOTAL MARGINS	1,364,601	908,940
WHERE THE DOLLARS CAME FROM:		
Residential	32.8%	31.6%
Commercial	65.9%	67.3%
Others	1.3%	1.1%
WHERE THE DOLLARS WENT:		
Cost of Power	66.4%	65.3%
Operations and Administration	15.5%	17.6%
Depreciation	5.8%	5.3%
Taxes	1.8%	1.8%
Interest	6.1%	5.0%
Margin	4.4%	5.0%

2014 Revenue Allocations



2014 Revenue



Employees



SCOTT MOORE

General
Manager/CEO



RHONDA TUSCHERER

Director of Finance
and Benefits



ROB VETCH

Line
Superintendent



JIM RESMEN

Engineer



STEPHANIE HORST

Director of
Communications &
Marketing



JUSTIN LARSON

Foreman



CAROL SCHAFFNER

Work Order Clerk



ANGE SIEH

Accounting Clerk



CRYSTAL THORSON

Billing Clerk



VALETTE HORST

Receptionist



RYAN HOLIEN

Journeyman/
Member Service



JOSH WEIGEL

Journeyman
Lineman



PERRY PTACEK

Journeyman
Lineman



DAN FELDHAUS

Journeyman
Lineman



JESSE BROWN

Journeyman
Lineman



SEAN CHRISTIANSEN

Journeyman
Lineman



CHAD DUTENHOFFER

Journeyman
Lineman



GREGG ZWART

Journeyman
Lineman

Board of Directors



GERALD HAUPT
District 1
Treasurer

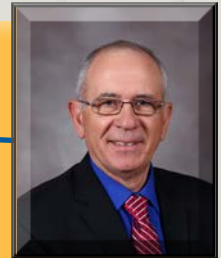


GARY BACHMAN
District 3
Vice President

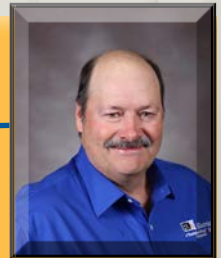
Spring Creek	Detmold	Petersburg	Bergdorf	Harrison	Wacker	Weber	Wachter
Glucksthal	Rosenthal	Odessa	Long Lake	Highland	Hoffman	Koto	Carl
District 1				District 2			
Bauer	Stickel	Kassel	Moscow	Arena	Spring	Leola	Willow
Jackson	Hillsview	Cleveland	Blaine	Dewey	Howard	Washington	Lincoln
Modena	Hosmer	Sangamon	North Bryant	Adrian	Rosette	Belle	Pembrook
Bowdle	Cottonwood	Glen	Bryant	Huntley	Ipswich	Fountain	Cortlandt
District 3				District 4			
Odessa	Cloyd Valley	Glover	Montpelier	Cleveland	Harmony	Union	Richland
Hudson	Madison	Hillside	Vermont	Liberty	Powell	Kent	Clear Lake
	Sherman	Clark	Enterprise	Freedom	Emerson	Fairview	Union
	Elroy	O'Neil	Saratoga	Pulaski	Myron	Devoe	Wesley
District 5							
Seneca	Latham	Bryant	Tamworth	Lafoon	Centerville		
Ellisville	Thirteen	Irving	Orient	Arcade	Hillsdale		



TOM THORPE
District 2
Ast. Sec./Treas.



FRANK HEINZ, JR.
District 4
President



LARRY BOWAR
District 5
Secretary



VAUGHN BECK
Attorney

Nominating Committee

FEM ELECTRIC ASSOCIATION, INC.
IPSWICH, SOUTH DAKOTA
March 23, 2015

We, the Nominating Committee, in session on March 23, 2015, at the Beck Law Office in Ipswich, South Dakota, hereby nominate the following:

District 5 – Larry Bowar

James Seibel
Chairman

De Bowar
Secretary

We, the undersigned, certify that the foregoing minutes are true and correct.

James Seibel
De Bowar
David David

We, the Nominating Committee, wish to place the above names in nomination.



FEM Electric Mission Statement:

To enhance the quality of life of our members, by safely providing reliable, cost-efficient electricity and other services.

Investing In Our Youth

Scholarships



KRISTI POND

Touchstone Energy
Scholar of the Week!

**& Basin
\$1,000**

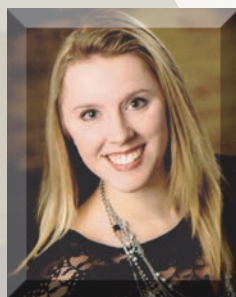
Kristi Pond of Ipswich was chosen to receive a \$1,000 Basin Electric Power Cooperative scholarship. Kristi plans to major in pharmacy at SDSU. Her career objective is to become a pharmacist and potentially go into research in treatment and cures. Her parents are Noel and Carol Pond. Kristi was also Touchstone Energy Scholar of the Week for March 15-21, 2015.



TORI MOORE

**Basin
\$1,000**

Tori Moore of Ipswich was chosen to receive a \$1,000 Basin Electric Power Cooperative scholarship. Tori plans to attend Black Hills State University. Her career objective is to practice veterinary medicine. Her parents are Scott and Beth Moore.



FRANCINE HOFFMAN

Touchstone Energy
Scholar of the Week!

**& \$500
FEM**

Francine Hoffman of Leola was chosen to receive a \$500 FEM Electric scholarship. Francine plans to major in dietetics at SDSU. Her career objective is to become a registered dietician. Her parents are Colin and Mary Beth Hofman. Francine was also Touchstone Energy Scholar of the Week for January 4-10, 2015.



SYDNEY HAMMRICH

\$500 FEM

Sydney Hammrich of Ipswich was chosen to receive a \$500 FEM scholarship. Sydney plans to attend USD to attain a health science bachelor's degree. Her career objective is to work as an OB ultra-sound technician. Her parents are Tom and Paula Hammrich.

Youth Tour to Washington, DC



BRANDON BEUTLER



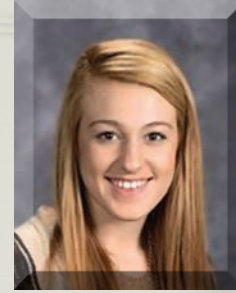
JESSE WEBER



JOSEPH KRETCHMAN



TORI MOORE



AUTUMN PITZ

FEM Electric members will sponsor five students on Youth Tour to Washington, DC on June 11-18, 2015.

Brandon Beutler, son of Glenn and Karen Beutler of Eureka; Jesse Weber, son of Bob and Carmen Weber of Eureka; Joseph Kretchman, son of Jeff and Faune Kretchman of Mansfield; Tori Moore, daughter of Scott and Beth Moore of Ipswich; and Autumn Pitz, daughter of Stephanie Horst and Wayne Pitz of Ipswich were selected based on the essay they submitted.

They all did an excellent job explaining how and why electric cooperatives were formed and if there is still a need for them today.

1,600+ teens from 44 states will converge on DC for the Youth Tour, 44 of those will be from South Dakota.

They will meet congressional leaders, learn about cooperatives, and tour the historic sites.

FEM Electric sponsors this trip each year to deserving area youth. Any junior or senior that attends school in the FEM service territory or is a student of a FEM member is eligible to submit an essay. A committee selects the winning essays to represent FEM.

FEM Electric's Grade School Program



MARK DEGROOT



KATHY DEGROOT



MARGARET NELSON

In the fall of 2014, FEM sent three retired educators back to the classroom for the sixth year. Mark and Kathy DeGroot along with Margaret Nelson all of Ipswich visited seven grade schools and ten colony schools three times during the school year.

Mark and Kathy designed the program for third and fifth graders. Mark and Margaret present to the fifth grade students and Kathy presents to the third graders.

In the fall, FEM employees traveled with them to give presentations on electric safety. Our farm safety display was used and the linemen discussed personal

protective equipment they use daily.

Mark, Kathy and Margaret do an excellent job teaching the students about how electricity is produced and transported to their homes, what cooperatives are, what renewable and non-renewable energy is, and electric circuits.

Their interactive approach makes learning fun for the students.

The program is designed not only for the students to learn new things but it helps the teachers by covering some of their required topics.

2014 Youth Excursion



Six students represented FEM Electric Association on the 2014 Youth Excursion. (L-R) Merciedies Dagett, Tonner Bowar, Cody Blocker, Frederick Lapka, Bailey Graham, and Tori Moore.

The 2014 Youth Excursion was July 22-24 and like the Youth Tour, FEM member provide this an all expense paid trip.

Each year this trip gathers students representing South Dakota electric cooperatives and charters them to North Dakota to tour the Basin Electric Power Cooperative facilities; Dakota Gasification Plant, Coteau Freedom Coal Mine, and the Antelope Valley Power Plant.

The six students that represented FEM in 2014 were: Frederick Lapka, Cody Blocker, Merciedies Dagett, Tonner Bowar, Bailey Graham, and Tori Moore. Freshmen or sophomores fill out an application to be eligible for this trip. Watch the *Cooperative Connections* newsletter in the spring for details.



North Star Energy, LLC

The propane market has been on a steep rollercoaster at best from January 2014 to December of 2014. FEM Electric business year is January 1 thru December 31. North Star Energy's business year is July 1 thru June 30. North Star yearend for 2014 ended with a net income of \$237,239 down \$214,277 from 2013.

North Star Energy's retail price never reached over \$3.00 per gallon during January and February 2014 even though there was a propane shortage and high use in this region pushing many of our competitors over \$5.00 per gallon. Due to favorable contracts and additional storage North Star was able to keep propane affordable. When FEM Electric bought into North Star Energy, in 2002 when North Star was created, it was the board's intention to make sure there was safe, affordable propane available to our members and area residents.

From July 1, 2014 to December 31, 2014 propane did just the opposite as predicted and the price fell and continued to fall. With increase in productivity and as reserves grew through the fall months rather than decline the price bottomed out. North

Star Energy ended up on the wrong side of the markets creating a loss of \$914,608 at their midyear. As of April 29, 2015 that loss has been reduced to \$248,556 but due to the different yearends of North Star Energy and FEM Electric, FEM Electric had to book a \$304,869 loss, or one-third of the midyear loss, on the non-operating side of our financials.

The following is the income and equity balances for FEM's shares over the past three years ending each June 30.

	Total Equity	Equity per year
June 30, 2012	\$652,975	\$9,934
June 30, 2013	\$803,480	\$150,506
June 30, 2014	\$882,560	\$79,080

If you have more questions please contact Scott Moore FEM Electric Manager/CEO 605 426 6891.

Rural Dakota's Golf View Acres

In 2004 FEM Electric along with Valley Telco, and North Central Farmers Elevator, formed Rural Dakota Development. This group developed a housing development on the west side of Ipswich, Golf View Acres. Originally there were twenty eight lots for sale and as of December 31, 2014 Rural Dakota has eight lots left to sell. Currently there are eight houses in the development that FEM Electric serves power too. FEM's total investment was \$93,500. As of December 31, 2014 FEM Electric has received a return on investment of \$46,300 and has \$48,378 in equity..

Marketing & Services

Water Heater Rebates

Consumers installing electric water heaters will receive the following rebates; non-lifetime heater, 50 gallons or larger, \$.50 per gallon; lifetime units 50 gallons or larger will receive a \$4.00 per gallon rebate. To be eligible for a rebate for an electric water heater, the unit must have a load control receiver installed. There is no cost for installation of the load control receiver. By having load control hooked to your water heater, you will also enjoy \$5.00 off your monthly electric bill. Call FEM Electric at 426-6891 for more information.



Electric Heating System Rebates & Loans

Marketing rebates for heating systems are available. Consumers receive a \$400 to \$600 rebate and can apply for a 5% interest loan up to \$10,000 for the equipment and installation. This applies to electric heat pump systems which also provide the benefit of air conditioning all in one unit. Don't put off installing a new heating system. Call FEM Electric at 426-6891 for more information.

Electrical Department

FEM Electric has an electrical department to respond to the electrical needs in Faulk, Edmunds, and McPherson counties. If you have a project requiring an electrician, contact Jim at FEM for a quote.

Energy Conservation Loans

FEM Electric also offers an energy conservation 5% loan, which you may apply for to replace poor windows and doors, add insulation, weather stripping, caulking, heat pump systems, and general weatherization measures which reduce energy consumption. Call FEM Electric at 426-6891 for more information.

Safety Presentations



Another service provided by FEM Electric to consumers and the general public is

electrical safety presentations- whether it be farm safety information, our interactive safety display for students, educating area first responders on contact accidents, or covering electrical safety issues using videos, newsletters or demonstrations. If your group or class would like to have FEM present a safety demo, please give us a call at 426-6891.

Donations



Our safety committee is made up of FEM Electric employees and through this committee it was decided to have labels printed with safety messages and place them on water bottles. Since 2009 all schools are given cases of water to sell and use as fundraisers for the various school clubs and activities or they could give the water away; it was their choice. The water project has been positive and beneficial to the students, schools and FEM Electric. We have some on hand for community groups that are raising money. If you need napkins, we have those too. Contact Stephanie Horst at FEM for more information.

Online Bill Pay & Account Access



FEM Electric offers online bill pay and account access. Members can access their accounts online through our website www.femelectric.coop or download the app for your iPhone or Android smart phones. Once logged in, they can pay their bill, look at usage graphs, and view and print past statements.

Co-op Connections Card



The Co-op Connection Card is savings program where local and national discounts are available. This card is free to all FEM Electric members. Cooperatives from across the nation participate and their local deals are good with the FEM Electric Co-op Connections Card. To see all local and national deals, go to www.connections.coop. There are also prescription drug discounts that have saved members lots of money. Vilas and Walmart Pharmacies are a couple in our area that participate. For more information on this program, contact Stephanie Horst at FEM. 1.800.587.5880