



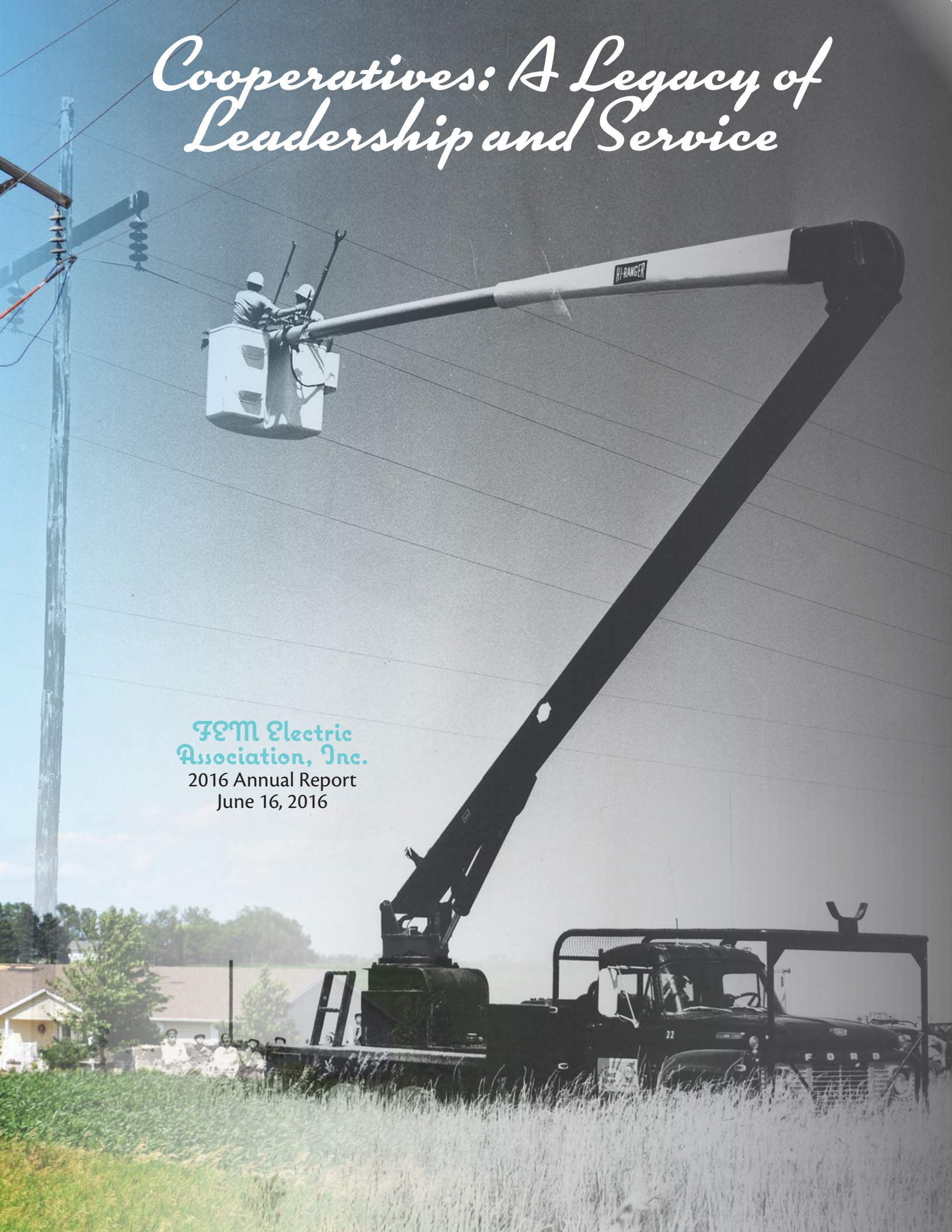
A Touchstone Energy® Cooperative 

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# *Cooperatives: A Legacy of Leadership and Service*

**FEM Electric  
Association, Inc.**  
2016 Annual Report  
June 16, 2016



# FEM Electric Association, Inc.

## 68th Annual Meeting

Thursday, June 16, 2016

Ipswich High School, Ipswich

### — Agenda —

**5:00 PM Doors Open for meal and registration.**

After meal/registration proceed to the **theatre** for the business meeting.

**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 2015 Annual Meeting – Larry Bowar (page 3)

Unanimous Ballot For Director District 1 & District 4 -

Vaughn Beck, Attorney

Voting to approve presented Bylaw changes-

Vaughn Beck (page 4)

President Report – Frank Heinz, Jr., President (page 5)

Guest Speaker - Jean Schafer, Legislative Representative

Basin Electric Power Cooperative

Treasurer Report – Gerald Haupt, Treasurer (page 6)

Manager Report – Scott Moore, Manager (page 5)

Youth Scholarships & Trips Recognition –

Tom Thorpe, Asst. Sec./Treasurer (page 12)

**Basin Electric \$1,000 Scholarship –**

Kaci Clement, Faulkton & Autumn Pitz, Ipswich

**FEM \$500 Scholarships –**

Alex Preszler, Roscoe

Logan Heupel, Leola

**Touchstone Energy Scholar of the Week \$100 –**

Margaret Thares, Ipswich

Kristen Hoffman, Bowdle

**Washington, DC Youth Tour Trip –**

Kaci Clement, Faulkton

Dannielle Dobberpuhl, Ipswich

Frederick Lapka, Leola.

Youth Tour 2015 Speaker – Autumn Pitz

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

### FEM Electric Association, Inc.

#### Official Notice of

#### Annual Meeting of Members

Notice is hereby given that the 68th Annual Meeting of the members of FEM Electric Association, Inc. will be held at the Ipswich High School in the City of Ipswich, State of South Dakota, **at six-thirty p.m. on Thursday, June 16, 2016** 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 members have been nominated for director by the Nominating Committee in accordance with the bylaws of the Cooperative:

**District 1 - Gerald Haupt**

**District 4 - Frank Heinz**

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.*



Your Touchstone Energy® Cooperative 

#### Mission Statement:

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

**This institution is an equal opportunity provider and employer.**

# 2015 FEM Electric Annual Meeting Minutes

The 67th 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 Tuesday, June 16, 2015 with 120 members registered.

An evening meal was provided to the members and guests after they registered. Frank Heinz called the meeting to order. Gary Bachman presented the invocation. Frank Heinz welcomed special guests, retired directors and retired employees. 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. Frank Heinz entertained a motion to dispense with the reading of the minutes from the 2014 annual meeting and accept the minutes as distributed in printed form on page 3 of the annual report. Motion to approve was made, seconded, and carried.

Attorney Vaughn Beck introduced the Nominating Committee: James R. Goebel, Glenn Bode and Darrell Davis. The following candidates were nominated for re-election in District 5 – Larry Bowar. No petitions for nominations were turned in. Attorney Beck asked for a motion and a second to cast a unanimous vote to officially elect Larry Bowar for District 5, motion carried.

President Frank Heinz thanked Tom Boyko and Bob Gale from East River for attending the FEM Annual Meeting and assisting with the program. He also thanked the Holy Cross Alter Society for the meal. Frank then proceeded with presenting the President's Report. A review of the final costs from the 2010 ice storm was presented. The three energy bills that were introduced to state legislature were passed in 2014. The members were thanked for their support of grassroots efforts to address the EPA's 111d Clean Air Act. It is important that members stay involved and continue to support the issues that arise in the future. Basin Electric will be joining the Southwest Power Pool (SPP) which will allow Basin to buy and sell energy on the open market. This will open new markets in large cities to the south and east that use large volumes of energy. East River Electric is also studying the feasibility of joining the SPP. Frank reviewed the growth of kilowatt hour sales due to new construction of new shops,

houses and grain bins in our service territory. The new office building plan and construction was presented. Frank ended his presentation by thanking the staff at FEM and the members.

Vice President Gary Bachman introduced the guest speaker, Tom Boyko, General Manager at East River Electric Power Cooperative in Madison, SD. Tom explained to the members the relationship between them owning FEM Electric, who owns East River Electric, who owns Basin Electric. He encouraged them to remember that their relationship is very important and thanked the members for being involved. He also thanked Manager Scott Moore and East River Director Gary Bachman for representing the members at the East River level. He explained renewable energy and noted that 300 MW wind energy was added in 2014. Renewable energy makes up 40% of the current power supply. He touched on the SPP and the importance of this assisting in keeping the costs low and affordable. Load management saved \$175 million since 1985. Water heater legislation experienced a regulatory win. He thanked the members for signing EPA cards and sending them in to aid in the efforts regarding regulating carbon. Members were thanked for taking time to attend their annual meeting.

Treasurer Gerald Haupt stated that the bottom line is good. He announced the financial report was printed on pages 6-9 of the annual report handed out to all members at the beginning of the meeting. Gerald stated that all records have been audited by the firm Eide Bailly, LLP of Sioux Falls, SD. He gave a recap of 2014 stating the kwh sales increased to 151,301,130 and revenue is comprised of 67.3% commercial and 31.6% residential. The patronage capital and operating margin ended 2014 at \$690,853. He explained that financials remained strong during the URD rebuild project as we awaited FEMA reimbursement. The final FEMA funds were received in October 2014. The 2014 expense increases were reviewed. A recap of the line work completed in 2014 was presented and members were reminded it is our goal at FEM to maintain a strong system and always stay in touch with new technology while giving our members the best service possible. Most of all we want to stress that no matter what we do, safety comes first. A review of the non-operating margin was given along with a

brief synopsis of the partnership in North Star Energy and outsourcing our linemen to other coops. G&T allocations were explained and it was noted that FEM will be retiring \$218,615 in FEM capital credits for the years 1996, 1997 and partial year 1998. East River Electric has retired the balance of 1994 and partial 1995 in the amount of \$29,135. Basin Electric will not be retiring capital credits this year. Members were told to watch for their capital credits retirement on the July energy statement. All inactive members will receive a paper check towards the end of July. The members were told that the Department of Emergency Management has awarded FEM Hazard Mitigation Grant funds in the amount of \$655,836. Five projects in the amount of \$327,655 will be completed in 2015 and \$328,181 will be completed in 2016. Gerald also stated that the board and employees would like to thank the members for their patience over the past years and asked for continued patience and support as we complete upcoming system improvements. Our goal remains the same to continue the reliable service the members expect.

Prior to the Manager's report, Frank Heinz introduced the directors, General Manager Scott Moore and Attorney Vaughn Beck. General Manager Scott Moore thanked the members for taking time out of their busy schedules to attend their cooperative meeting. He stated that the General Manager report is on page 4 of the annual report. Scott stated that education is important for the staff, directors and youth to keep the understating of the cooperative model forefront and continually educate on the electric business. Scott shared a story from his youth which demonstrated that success is truly related to good organization, setting capable goals, good leaders and teamwork. He stressed the importance of getting the job done and doing it right. There are many teams at the coops on local, state and national levels. It is very important to keep up on the regulations to keep the rates low and competitive. Lobbyists worked hard in DC this year to help push back water heater regulations. Scott explained the water heater control program and the 5/7 load control program which help keep the demands of power down and contribute to saving millions of dollars. Managing load helps reduce the need for additional power plants being built. The director education plan was explained and the importance of our employees

providing top quality service was noted. Scott reminded the members of FEM Electric's mission statement – To enhance the quality of life of our members, by safely providing reliable, cost-efficient electricity and other services. Teamwork is necessary for the success of the coop. The process for the building project at FEM was planned by a building committee. It is the goal of the committee for the building to be usable and conservative. Implementing technology costs money but it is important for FEM Electric and its members to move forward. We rely on the members' voice and votes when planning and managing FEM Electric. Scott ended by thanking the members for contacting the politicians when the need arises.

President Frank Heinz asked all employees to stand to be recognized and thanked for a job well done.

Tom Thorpe announced the 2014 Youth Excursion attendees – Merciedes Daggett, Tonner Bowar, Cody Blocker, Frederick Lapka, Bailey Graham and Tori Moore. The Washington DC Youth Tour participants were Brandon Beutler, Jesse Weber, Joseph Kretchman, Tori Moore and Autumn Pitz. The \$1,000 Member Basin Scholarship was presented to Kristi Pond and the \$500 FEM Scholarships were presented to Sydney Hammrich and Francine Hoffman. Kristi Pond and Francine Hoffman were also recognized as 2015 Scholars of the Week. Tori Moore was recognized for winning a \$1,000 Employee Basin Scholarship.

Frank Heinz 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. There were no business items or questions brought up at the meeting.

At 7:15, a motion was made to adjourn the meeting, seconded and carried. The kids were asked to rejoin the adults for final prize drawings.

The Grand Prize Drawings were held: \$250 – Victor and Lila Gab, Eureka; \$100 – Leroy and Karen Neifer, Hosmer; \$100 – Leroy and Marlyn Ehnes, Roscoe; \$50 – Myron and Sheila Fauth, Leola. Gary and Betty Lou Hoffman from Long Lake were drawn for the 2015 Basin Trip. Megan Nash and Austin Nash were drawn respectively for the girls and boys bike giveaway.

# FEM Electric Association Proposed Bylaw Changes

The following FEM Electric Association, Inc. Bylaw changes will be voted on by the membership during the business portion of the FEM Electric annual meeting that begins at 6:30 p.m. on Thursday, June 16, 2016 at the Ipswich High School.

## ARTICLE V MEETINGS OF DIRECTORS

**Section 3. Notice of Director's Meetings.** ~~Written notice of the date, time, place and purpose of any special meeting of the Board of Directors shall be delivered to each Director not less than five (5) days previous thereto, either personally or by mail, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the Directors calling the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the Director at the address as it appears on the records of the Cooperative with postage thereon prepaid.~~ Notice may be provided by telephone and/or email of the date, time, place and purpose of any special meeting of the Board of Directors, which shall be communicated to each Director not less than three (3) days previous thereto, by or at the direction of the Secretary, or upon a default in duty by the Secretary, by the President or the Directors calling the meeting.

## ARTICLE XI MISCELLANEOUS

### Section 7. Assignment and Gift by Failure to Claim.

(a) Notwithstanding any other provisions of the bylaws, if any member or former member fails to claim any cash retirement of capital credits or their payment from the Cooperative within six (6) years ~~three (3) years~~ after payment of the same has been made available to such member by check mailed to the member at the last address furnished by the member to the Cooperative, such failure shall be and constitutes an irrevocable assignment and gift by such member of such capital credit or other payments to the Cooperative.

(b) Failure to claim any such payment within the meaning of this section shall include the failure of such member or former member to cash any check mailed to the member by the Cooperative at the last address furnished by the member to the Cooperative.

(c) The assignment and gift provided for under this section shall become effective only upon the expiration of six (6) years ~~three (3) years~~ from the date when such payment was made available to such member or former member without claim therefore and only after the further expiration of six (6) months ~~sixty (60) days~~, following the giving of a Notice by mail or publication that unless payment is claimed within six (6) months ~~sixty (60) days~~, such gift to the Cooperative shall become effective.

(d) The Notice by mail herein provided, shall be one mailed by the Cooperative to such member or former member at the last known address. If Notice by publication is given, such publication shall be one insertion in a newspaper circulated in the service area of the Cooperative.

(e) The six (6) month ~~sixty (60) day~~ period following the giving of such Notice, either by mail or publication, shall be deemed to terminate six (6) months ~~sixty (60) days~~ after the mailing or publication of such Notice.

## Seven Cooperative Principles

**VOLUNTARY AND OPEN MEMBERSHIP** 1  
Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

**DEMOCRATIC MEMBER CONTROL** 2  
Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. The elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are organized in a democratic manner.

**MEMBERS' ECONOMIC PARTICIPATION** 3  
Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

**AUTONOMY AND INDEPENDENCE** 4  
Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

**EDUCATION, TRAINING AND INFORMATION** 5  
Cooperatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of cooperation.

**COOPERATION AMONG COOPERATIVES** 6  
Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

**CONCERN FOR COMMUNITY** 7  
While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.

# Board President Report

**Frank Heinz, Jr., Board President**



2015 was another successful year for your cooperative by ending the year with a very good financial statement and an equity rate of 33.3%. The most exciting event was the completion of the new offices and truck bays. In October of 2013, the directors began discussing a new office complex and additional truck bays. Building and planning committees were assigned. After

much thought and consideration, the building project was approved. In December of 2014, a bid to Quest Construction was awarded and in March of 2015 the building process began. The open house on Dec. 10, 2015 was attended by many members and interested individuals from local communities. This has been an excellent addition to our cooperative. If you have not seen the new offices, please stop in, you will be impressed.

In June of 2015, FEM members received online access to their accounts through the FEM web site [www.femelectric.coop](http://www.femelectric.coop). On this site, you can view and manage personal account information, pay your bill, view usage, print statements, receive notifications and alerts. This app works on Apple, Android and Windows.

In 2015 FEM, retired Capital Credits back to the members in the amount of \$246,365. The credit was given on your July billing statement. East River Electric also returned \$117,728 to FEM as a bill credit. In December, this amount was passed through to the members as a \$55 credit to each active main meter. In 2016, FEM will again retire Capital Credits in the amount of \$143,194.88. This credit will be given on your July billing along with \$30,301.11 of East River capital credits.

By the end of construction season December 2015, 37 miles of old overhead line was replaced with new line. 16 miles of old overhead was replaced with URD. Since March of 2016, the line crew has replaced 35

miles with new overhead poles and wire and 20 miles of old overhead was replaced with new underground line. They also did numerous upgrades, two of which were major upgrades at North Central Farmers Elevator, Bowdle and at Glacial Lakes Energy. As you can see, it has been an extremely busy year for the line crew and the office staff doing all the paperwork to make this possible.

As a non-profit corporation, sometimes people get the false impression that FEM does not pay taxes. This is not true. Under state law, electric companies are required to pay a generation tax based on kilowatt hour sales. FEM is also required to pay 2% gross receipts tax to cities in our territory, if a service is within city limits. This year the school districts in our area will receive \$467,340 in generation taxes as a result of electric kilowatt sales to FEM members. FEM also donates cases of water to the schools that they may use as fund raising activities.

EPA; On January 27th of 2016, Basin Electric along with 38 other electric coops and utility interests petitioned the Supreme Court to Stay the Clean Power Plan. A Stay was granted which means EPA cannot continue to enforce carbon dioxide limits of 32% below 2005 levels until the Supreme Court either takes up the case and issues a final decision, or denies a request to hear the appeal. Hopefully, the Supreme Court will decide to hear the case. An appeal would give the utility companies time, and depending on the final decision save billions of dollars. This in turn saves us, the members billions of dollars. Time will tell.

This is a brief overview of your cooperative the past year. At this time, on behalf of the board, I would once again like to say thank you to the great staff at FEM for all their hard work. To you the members thank you for your patience and support. May God bless you and keep everyone safe.

Respectfully Submitted,

*Frank Heinz, Jr., President*

# General Manager Report

**Scott Moore, General Manager /CEO**



As I look back at the 2014 annual report where I discussed our electrical load growth and successes that year, both financial and operations, we turn the page to 2015.

In 2015, we have seen our electrical load growth stabilize or level out. We didn't see the big grain drying load and with a warmer than normal fall, our heating load was also down. With the decreased price of

grains and other commodities, the opportunity to not pay for grain drying will help keep our local agriculture economy strong.

FEM Electric had another good year financially; we continue to monitor changes in the electrical industry. Like most other industries, things are changing fast and the way we do business is also changing. In October of 2015, after several years of evaluating and studying, Basin Electric, our generating partner, along with East River, our transmission partner, joined the Southwest Power Pool (SPP). SPP is a Regional Transmission Organization (RTO) that was originally created for maintaining reliability and allowing access to the electrical grid in the south central part of the U.S. There are seven RTO's operating within the United States, and they control the dispatch of generators to produce power, and operate the transmission lines to transport the needed power to each region. RTO's were designed to administer open electric markets, enhance reliability, and manage access to the electric grid, creating opportunities to move power to areas during peak times and not forcing new generation to be built.

The problem the Midwest region has with this is that we have always had low cost power. Over the last seventy years, we have built base load generation using coal and hydro dams to serve our members with reliable power. In today's world, renewable power gets preference on the grid

and each megawatt of renewable energy needs to be backed up with fossil fuel generation, which needs to be started and on the grid fast. This is most commonly done with peaking generator plants fueled by natural gas. Coal plants are designed to run at full capacity; once slowed down, it takes time to get them back to capacity and they lose their efficiency. Electric cooperatives have always had a good business model, but now we are learning to steer a new ship, while at the same time looking at opportunities to keep your power affordable. I can assure our members the electric cooperatives have people with the knowledge and dedication to move us through these rough waters.

On the operation side, FEM Electric had a very successful year replacing and rerouting about thirty-seven miles of single phase overhead electric line. We used over six hundred poles that were returned from the 2010 ice storm rebuild. The existing poles and wire were seventy years old and we rerouted some of the line to locate it next to traveled roads to make patrolling and repairing the line easier.

When the operation department is busy, so is the office moving the paperwork through the system. In 2015 the office participated in five audits, South Dakota Unemployment Insurance Audit, Sales and Excise Tax Audit, Annual Financial Audit with Eide Bailly, Workers Comp Insurance Audit, and Rural Utilities System Audit (RUS).

As manager/CEO of FEM Electric, I would like to thank our employees and board for working together. Working as a team we have created an efficient, knowledgeable group that will successfully serve FEM Electric members well into the future.

Respectfully Submitted,

*Scott Moore*

# Treasurer's Report



**Gerald Haupt, Treasurer**

It is my pleasure to provide you with the financial statements for 2015. All records were audited by the firm of Eide Bailly, LLP of Sioux Falls in March 2016.

FEM's total utility plant at the end of 2015 was \$32,285,724 and we have depreciated \$7,572,107 which leaves \$24,713,617 in un-depreciated plant. We had investments and cash on hand in the amount of \$6,046,366 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 \$2,729,802. **Total assets for 2015 were \$33,489,785.**

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 \$18,971,612. The construction for a new office building and shop expansion began in the spring of 2015, the construction line of credit had a balance of \$2,055,000 at the end of December 2015. Accrued tax expense, customer deposits, notes payable and deferred credits were \$1,666,175. Patronage capital and other equities, which are primarily the margins generated by your cooperative since 1998, were \$10,796,998. **The total liabilities and equities were \$33,489,785.**

On page 9, you will find the Income and Expense Statement for 2015. **Total operating income for 2015 was \$13,519,471** which is down \$220,242 from 2015. Revenue from residential customers was \$4,089,571 and revenue from commercial customers was \$9,257,534.

**Total expenses were \$12,971,734**, which included power costs of \$8,936,215 at a decrease of \$41,147. Operations and maintenance expenses were \$998,567, a decrease of \$83,678. Customer services, sales, and office expense was \$1,300,257, a decrease of \$30,784. Depreciation expense was \$804,627, which

was an increase of \$77,660. In 2015 a depreciation rate review was done and depreciation rates were adjusted to account for the 2010 storm rebuild adjustments to plant. Tax expense was \$242,932, which was an increase of \$1,033. Interest expense was \$688,772 which was an increase of \$255. The interest expense on the storm line of credit was \$2,670 which was a decrease of \$89,385. The storm line of credit was paid off in February 2015 and the balance was converted to long term debt.

**FEM's patronage capital and operating margin was \$547,737.** Non-operating margin and income from investment in North Star and Rural Dakota were \$205,607. See page 14 for more information on North Star Energy and Rural Dakota. East River and other margins, which are capital credit allocations from other cooperative organizations which we do business with were \$350,789. The total margins were \$1,158,005.

In 2015, the Commercial revenue increased and is 68.5% and residential decreased and is 30.2%. On page 7, you will find a comparison of various operating statistics for the calendar years 2014 and 2015. **Sales were decreased 320,821 kWhs and the number of connected meters increased by 2 for a total of 2,137.** The average monthly residential usage decreased 145 kWh and the average monthly residential bill decreased by \$12.08. Also included are a number of graphs that show the breakdown of revenue and expenses for 2015 and also chart our history for the last five years.

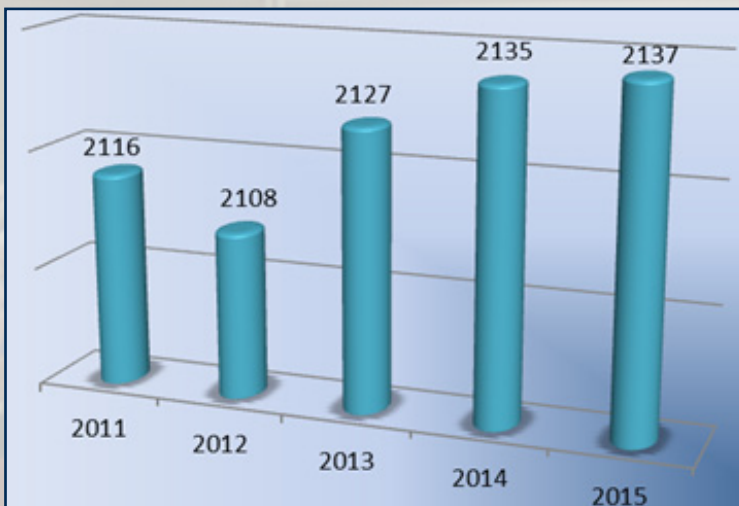
If you have any questions about this report, please contact the FEM business office.

Respectfully submitted,  
*Gerald Haupt, Treasurer*

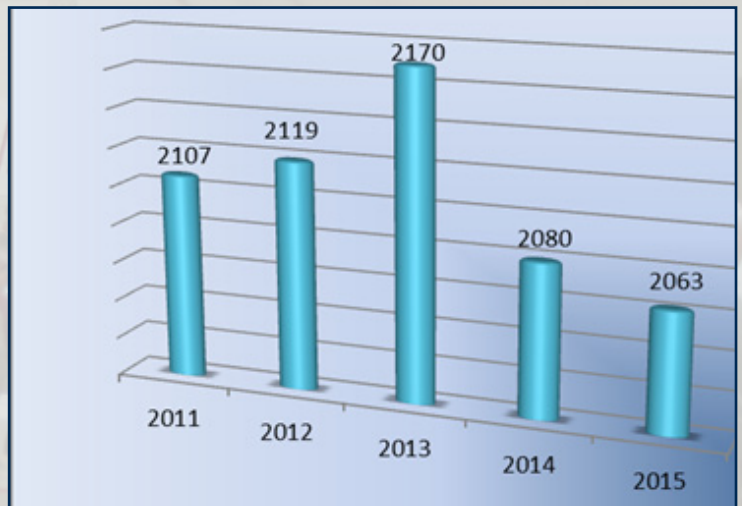
# Comparative Operating Statistics

December 31	2013	2014	2015
kWhs Purchased	151,473,758	156,332,148	155,540,975
kWhs Sold	147,179,357	151,301,130	150,980,309
Estimated kWhs Used in December Sold in January	1,014,961	1,035,025	311,418
kWhs Unaccounted for (Line Loss, etc.)	3,279,440	3,995,993	4,249,248
Percent of kWhs Unaccounted for	2.165%	2.556%	2.732%
Number of Connected Consumers	2,127	2,135	2,137
Number of Idle Services	109	111	112
Average Monthly kWh (All)	5,799	5,906	5,888
Average Monthly kWh (Residential)	1,588	1,596	1,451
Average Monthly Bill (All)	\$508.48	\$534.35	\$525.31
Average Monthly Bill (Residential)	\$189.23	\$190.56	\$178.48
Average Cost of Power Purchased at Substations	\$.0568	\$.0574	\$.0575
Average Selling Price Per kWh	\$.0877	\$.0905	\$.0892
Miles of Line Energized	2,170	2,080	2,063
Consumer Density Per Mile (Energized)	1.02	.97	.97

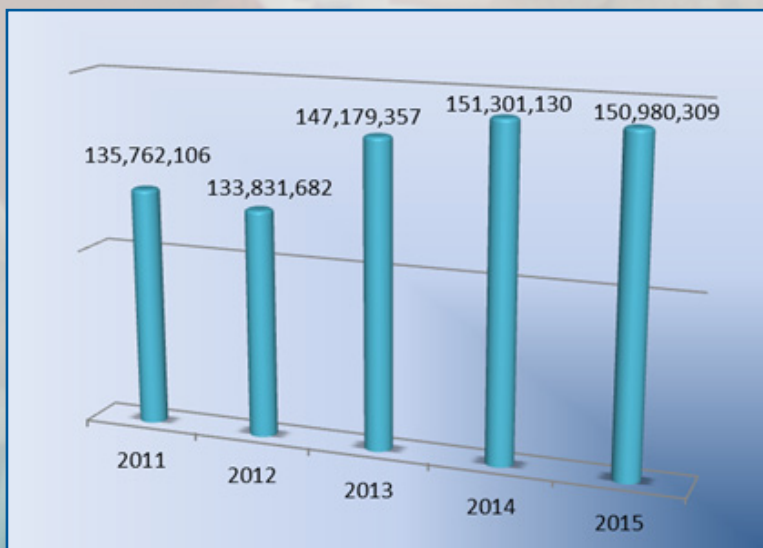
## Connected Consumers



## Miles of Line



## Total kWh Sales



## 2015 kWh Generation Tax By School District

School District	Total
Hoven 53-2	1,263
Northwestern Area 56-7	7,188
Faulkton Area 24-3	46,870
Edmunds Central 22-5	33,734
Ipswich 22-6	300,660
Bowdle 22-1	14,946
Warner 6-5	67
Eureka 44-1	15,010
Leola 44-2	47,602
<b>Total</b>	<b>\$467,340</b>



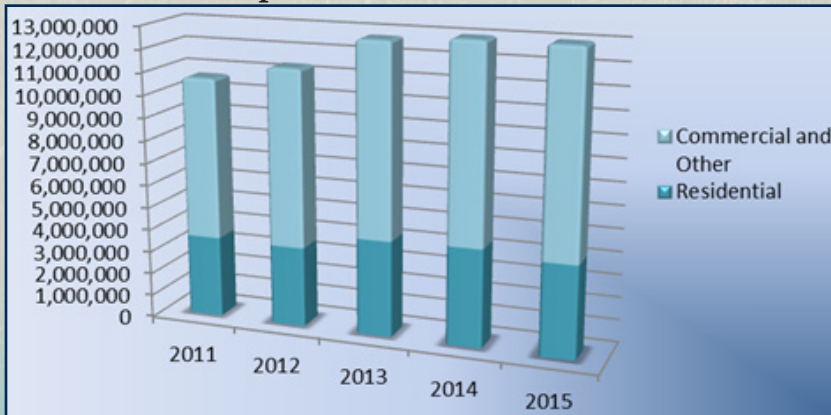
# Financial Statements

WHAT WE OWN:	2015	2014
Total Utility Plant	\$32,285,724	\$27,039,679
Less: Reserve for Depreciation	<u>-7,572,107</u>	<u>-7,056,042</u>
Total Utility Plant, less Reserve for Depreciation	24,713,617	19,983,637
<b>CASH AND INVESTMENTS:</b>		
Cash on Hand – In Banks	297,210	1,046,660
Investments	<u>5,749,156</u>	<u>5,398,274</u>
Total Cash and Investments	6,046,366	6,444,934
<b>OTHER ASSETS:</b>		
Accounts Receivable-Consumer/Other	873,433	1,147,731
Material and Supplies	489,439	771,036
Prepayments	29,781	56,842
Interest Receivable	3,372	3,410
Deferred Debits	510,489	588,249
Notes Receivable	45,947	44,068
Other Investments – Rural Dakota/North Star	<u>777,341</u>	<u>673,270</u>
Total Other Assets	2,729,802	3,284,606
<b>TOTAL ASSETS</b>	<b>\$33,489,785</b>	<b>\$29,713,177</b>

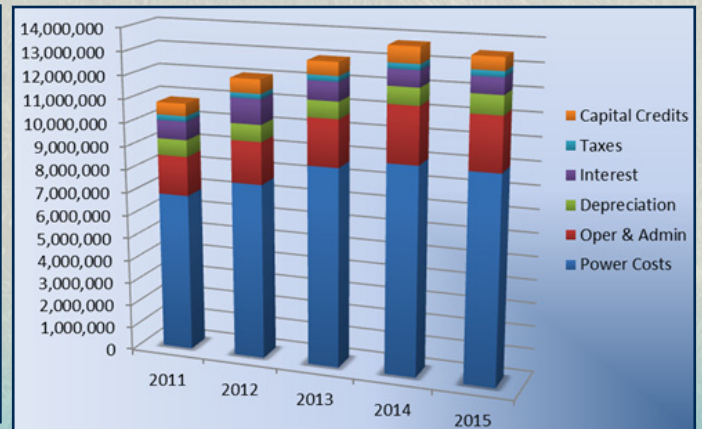
WHAT WE OWE:	2015	2014
Total Borrowed from RUS	18,586,500	16,017,500
Less: Principal: Payments	<u>3,385,775</u>	<u>2,981,819</u>
Net Obligations to RUS	15,200,725	13,035,681
Long-Term Debt – RUS Rural Development Loan	0	0
Long-Term Debt – Other (Net)	3,770,887	4,032,205
Long-Term Debt – Storm Line of Credit	0	1,525,252
Long-Term Debt – Building Line of Credit	2,055,000	
Accrued Taxes and Liabilities	389,709	368,131
Deferred Credits (Consumer Prepayments & Deposits)	11,196	8,782
Notes and Accounts Payable	<u>1,265,270</u>	<u>837,215</u>
<b>TOTAL AMOUNT WE OWE</b>	<b>22,692,787</b>	<b>19,807,266</b>

EQUITIES:	2015	2014
Patronage Capital and Other Equities	10,796,998	9,905,911
<b>TOTAL LIABILITIES AND EQUITIES</b>	<b>\$33,489,785</b>	<b>\$29,713,177</b>

Revenue Comparison



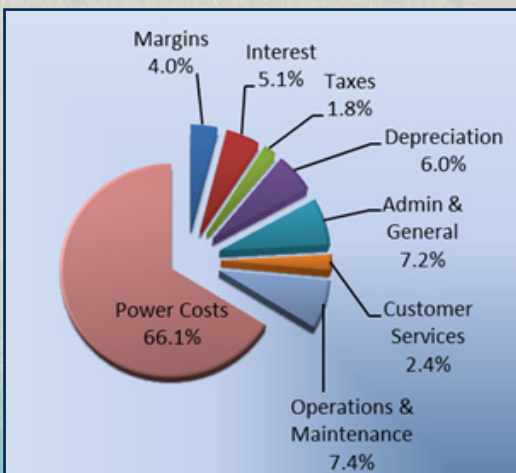
Revenue Allocation



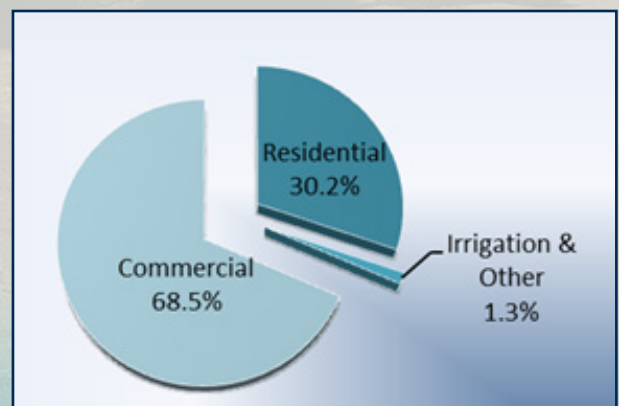
# Income and Expenses

REVENUE:	2015	2014
Residential Sales	4,089,571	4,336,325
Irrigation Sales	120,919	104,312
Commercial Sales	9,257,534	9,246,530
Street Lights	3,054	2,934
Sale of Renewable Energy Credits (RECs)	16,494	19,415
Other Operating Revenue	<u>31,899</u>	<u>30,197</u>
<b>TOTAL REVENUE</b>	<b>13,519,471</b>	<b>13,739,713</b>
<b>EXPENSES:</b>		
Cost of Power	8,936,215	8,977,362
Line Operations	469,098	495,426
Line Maintenance	529,469	586,819
Consumer Accounting and Collecting	202,139	171,692
Customer Service and Sales Expense	118,297	131,613
Administrative and General Expenses	979,821	1,027,736
Depreciation	804,627	726,967
Property and KWH/Gross Receipt Taxes	242,932	241,899
Interest Expense	663,267	596,462
Interest Expense – Storm Line of Credit	2,670	92,055
Interest Expense – Building Line of Credit	22,835	0
Other Deductions	<u>364</u>	<u>829</u>
<b>TOTAL EXPENSES</b>	<b>12,971,734</b>	<b>13,048,860</b>
<b>PATRONAGE CAPITAL CREDIT/MARGINS:</b>		
FEM Operating Margins	547,737	690,853
Non-Operating Margins	103,036	4,867
Income/Loss from Investments-North Star/Rural Dakota	102,571	(202,959)
East River/Basin Margins	350,789	359,416
Other Margins	<u>53,872</u>	<u>56,763</u>
<b>TOTAL MARGINS</b>	<b>1,158,005</b>	<b>908,940</b>
<b>WHERE THE DOLLARS CAME FROM:</b>		
Residential	30.2%	31.6%
Commercial	68.5%	67.3%
Others	1.3%	1.1%
<b>WHERE THE DOLLARS WENT:</b>		
Cost of Power	66.1%	65.3%
Operations and Administration	17.0%	17.6%
Depreciation	6.0%	5.3%
Taxes	1.8%	1.8%
Interest	5.1%	5.0%
Margin	<b>4.0%</b>	<b>5.0%</b>

2015 Revenue Allocations



2015 Revenue



# Employees



**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



**VALETTE HORST**  
Receptionist



**ANGIE SIEH**  
Accounting Clerk



**CRYSTAL THORSON**  
Billing Clerk



**BARB SCHAEFER**  
Custodian



**RYAN HOLIEN**  
Journeyman/  
Member Service



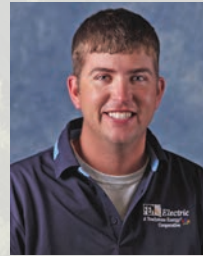
**JOSH WEIGEL**  
Journeyman  
Lineman



**PERRY PTACEK**  
Journeyman  
Lineman



**DAN FELDHAUS**  
Journeyman  
Lineman



**JESSE BROWN**  
Journeyman  
Lineman



**SEAN CHRISTIANSEN**  
Journeyman  
Lineman



**CHAD DUTENHOFFER**  
Journeyman  
Lineman



**GREGG ZWART**  
Journeyman  
Lineman

# Leadership



**GERALD HAUPT**  
District 1  
Treasurer



**GARY BACHMAN**  
District 3  
Vice President



**SCOTT MOORE**  
General  
Manager/CEO



**VAUGHN BECK**  
Attorney

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	Pembroke
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

## Nominating Committee

FEM ELECTRIC ASSOCIATION, INC.  
IPSWICH, SOUTH DAKOTA  
March 24, 2016

We, the Nominating Committee, in session on March 24, 2016, at the Beck Law Office in Ipswich, South Dakota, hereby nominate the following:

District 1 – Gerald Haupt  
District 4 – Frank Heinz

*Joe Salbert*  
Chairman

*Frank Heinz*  
Secretary

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

*Frank Heinz*  
*Scott Moore*  
*Brad Neuharth*  
*Joe Salbert*

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

# Investing In Our Youth

## Scholarships



**KACI CLEMENT**

### Basin \$1,000

Kaci Clement of Faulkton was chosen to receive a \$1,000 Basin Electric Power Cooperative scholarship. Kaci plans to major in medical biology at the University of South Dakota. Her parents are Doug and Glenna Clement of Faulkton.



**AUTUMN PITZ**

### Basin \$1,000

Autumn Pitz of Ipswich was chosen to receive a \$1,000 Basin Electric Power Cooperative scholarship. Autumn plans to attend South Dakota State University. Her career objective is to be an occupational therapist. Her parents are Wayne and Leona Pitz and Stephanie and Jeremiah Horst.



**ALEX PREZLER**

### \$500 FEM

Alex Preszler of Roscoe was chosen to receive a \$500 FEM Electric scholarship. Alex plans to major in animal science at South Dakota State University. Her career objective is to become a veterinarian. Her parents are Jason and Heidi Preszler of Roscoe.



**LOGAN HEUPEL**

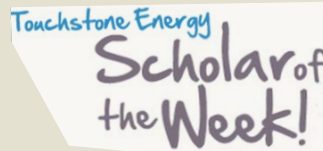
### \$500 FEM

Logan Heupel of Leola was chosen to receive a \$500 FEM scholarship. Logan plans to attend South Dakota State University majoring in Ag business with a marketing minor. His parents are Kevin and Tammy Heupel of Leola.

Margaret Thares of Ipswich High School was selected as Scholar of the Week for the week of Jan. 17- Jan. 23, 2016. She received \$100 scholarship and was featured on KSFY



**MARGARET THARES**



**KRISTEN HOFFMAN**

Kristen Hoffman of Bowdle High School was selected as Scholar of the Week for the week of May 8 - May 14, 2016. She received \$100 scholarship and was featured on KSFY

## Youth Tour to Washington, DC



**FREDERICK LAPKA**



**DANNIELLE DOBBERPUHL**



**KACI CLEMENT**

### FEM Electric members will sponsor five students on Youth Tour to Washington, DC on June 9-16, 2016.

Frederick Lapka, son of Pat and Melissa Lapka of Leola; Dannielle Dobberpuhl of Ipswich, daughter of Christy and (late) Duane Dobberpuhl; and Kaci Clement, daughter of Doug and Glenna Clement of Faulkton were selected based on the essays they submitted.

They all did an excellent job explaining what an electric cooperative is and why they were created.

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 2015, 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.

## 2015 Youth Excursion



Three students represented FEM Electric Association on the 2015 Youth Excursion. (L-R) Josh Burgod, Bryce Malsam, and Hunter Graham.

**The 2015 Youth Excursion** was July 28-30 and like the Youth Tour, the FEM membership provides this all-expense paid trip.

Each year this trip gathers students representing South Dakota electric cooperatives and charts 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 three students that represented FEM in 2015 were: Josh Burgod, Bryce Malsam, and Hunter Graham. 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 in 2015 was low along with the amount of propane sold. In 2015 North Star Energy sold 660,000 gallons less than the previous year end. With a lack of crop drying and an unusually warm winter, sales were down and propane inventories were up. North Star is financially strong and is an asset to FEM members and this region.

The board and exceptionally dedicated employee group are committed to providing quality customer service along with safe, affordable propane. In the fall of 2015 the board approved hiring Gary Goeller, Account Manager. Gary has been out meeting with existing and new customers, which is a must in the retail business. Propane is a very competitive business, and North Star management has done a great job of looking for savings along with looking for programs that would benefit our customers.

You may have noticed that North Star is moving into Propane Auto Gas. In the coming years it is the company's goal to get more vehicles using propane as a fuel choice. The motors need gas to start and they automatically switch to burning propane. FEM Electric plans to have three vehicles running on propane by the end of 2016. At the present time North Star has two card roll filling locations, at the main office in Aberdeen and at the FEM Electric parking lot in Ipswich. You will also see more cylinder cages in the area at local businesses.



	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
June 30, 2015	\$719,513	(\$163,047)

If you have any 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-nine lots for sale and as of December 31, 2015 Rural Dakota has nine lots left to sell. Currently there are eight houses in the development that FEM Electric serves power too. FEM's total investment was \$95,000. As of December 31, 2015 FEM Electric has received a return on investment of \$46,300 and has \$47,387 in equity.

# GOLF VIEW ACRES

## VALLEY

**Beck Law Office & Realty**  
Call 605-426-6319

# Marketing & Services

## Water Heater Rebates

Consumers installing electric water heaters will receive the following rebates; non-lifetime heater, 50 gallons or larger, \$3.00 per gallon; lifetime units 50 gallons or larger will receive a \$6.00 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.

## Lighting Rebates

Residential LED lighting \$5.00/bulb up to \$100 per location. Commercial lighting upgrades at \$.20/watt efficiency savings. 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.

## 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.

## 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](http://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.

## 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. Auxillary heat rebates of \$10/kW. Commercial heating \$10/kW. Don't put off installing a new heating system. Call FEM Electric at 426-6891 for more information.

## Solar Rebates

Solar rebate \$100/kW up to 5kW. Call FEM Electric at 426-6891 for more information.

## 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.

## 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 FEM at 426-6891 for more information.

## Co-op Connections Card



The Co-op Connections Card is a 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](http://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 426-6891.