

FEM Electric Association, Inc.

2017 Annual Report June 28, 2017



*The Road To
New Opportunity*

FEM Electric Association, Inc.

69th Annual Meeting

Wednesday, June 28, 2017

Ipswich High School, Ipswich, SD

— Agenda —

- 5:00 PM** Doors Open for meal and registration.
After meal/registration proceed to the theatre for the business meeting.
- 6:00 PM** “By the People, For the People” film
- 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 2016 Annual Meeting – Larry Bowar (page 4)
Unanimous Ballot For Director District 2 & District 3 -
Vaughn Beck, Attorney
President Report – Frank Heinz, Jr., President (page 3)
Guest Speaker - Linda Salmonson, REED
Treasurer Report – Gerald Haupt, Treasurer (page 6)
Manager Report – Scott Moore, Manager (page 3)
Youth Scholarships & Trips Recognition –
Tom Thorpe, Asst. Sec./Treasurer &
Gary Bachman, VP (page 12)
Basin Electric \$1,000 Scholarship -
April Hoffman, Leola
FEM \$500 Scholarships –
Tyler Cunningham, Faulkton
Benjamin Pond, Ipswich
Touchstone Energy Scholar of the Week \$100 –
Benjamin Pond, Ipswich
April Hoffman, Leola
Touchstone Energy Scholar of the Week \$1000 –
Benjamin Pond, Ipswich
Washington, DC Youth Tour Trip –
April Hoffman, Leola
Abigail Berreth, Leola
Samantha Raile, Eureka
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 69th 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 Wednesday, June 28, 2017** 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 2 - Tom Thorpe

District 3 - Gary Bachman

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.



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.



Board President Report

Frank Heinz, Jr., Board President

2017 has been a busy year again at FEM, and for this we are thankful. Although the farm economy is certainly not robust, there are still new services and upgrades keeping the linemen busy. Along with the linemen rebuilding lines that were destroyed in the Christmas Day ice storm, the office staff is once again preparing work orders and documenting damages for FEMA reimbursement. This storm did not affect FEM as bad as the 2010 storm, but for many people it was just as serious. Once again, we want to thank the members for your patience until the electricity was restored. The linemen are doing everything possible to rebuild or bury the lines, according to FEMA criteria. As always, this takes time and money, but we will get through it just like we have before. The lines that were rebuilt are now stronger, with poles closer together to withstand more of Mother Nature's disasters.

2016 was a good year at FEM. Our kilowatt sales increase every year. This is what pays our bills. At the end of the year, our equity level was 32.7%. This allows us to retire capital credits to our members. FEM directors decided to retire \$245,020 plus the pass through of East River's capital credits of \$29,103 for a total of \$274,123. This credit will be on your August billing statement. The amount of kilowatt sales also determines the cooperatives generation tax paid to the school districts in our territory. This year FEM will pay \$479,711 to the nine school districts. FEM also provides electrical safety programs to all the schools, student youth tours and bottled water they can use at school functions.

In 2016, the people of our great nation voted in a new president. Whether you like the results or not, it has changed many laws and perhaps the destination of coal fired facilities. Basin Electric, who generates our electricity, produces the majority of energy from coal, and has always been a leader in providing clean energy. Last year, our guest speaker, Jean Schafer, provided insight and updated us on the Clean Power Plan. This plan is still in place, but has changed dramatically. Plus, the time line has been lengthened to provide the industry time to come up with a viable solution that will provide cleaner energy and still keep the costs down for the consumers.

At FEM, safety is always first. We provide the equipment and the education to keep our crew safe. We also do whatever is possible to keep the public safe. There have been several incidents within the state and in our territory where farmers have hit or damaged poles and cabinets. We ask that you please be careful with the large equipment. Take your time and be aware of what is around you. On FEM's Facebook page, there are safety tips and other important information about your co-op, please take time to look at it.

As I travel about the FEM territory, from time to time consumers will tell me how pleased they are with the work that is done on or near their farm. No doubt, I am very pleased to hear these comments and I thank the member. I would also like to thank all of our employees, the ladies in the office, and the men in the field, for the great job they do every day. Keep up the great work.

As I close, I would be remiss if I did not also thank you, the members, for supporting your co-op. We appreciate the patience you have shown in the rebuilding of the storm damaged areas. Also, for the many times you are so willing to help. It is greatly appreciated.

Respectfully yours, Frank S. Heinz

General Manager Report

Scott Moore, General Mgr /CEO



As we reflect on 2016, FEM Electric employees, directors and member/owners should be satisfied with good and consistent growth and margins. We continue to experience some modest growth and electrical use continues to increase, but at levels that are manageable and do not put unnecessary strain on our existing members. We finished 2016 with rain and ice on Christmas Day, leaving all roads dangerously slippery and power lines covered in solid ice. FEM had our

own issues, but to add to a bad situation our transmission companies were having troubles getting power restored to the substations. FEM Electric had four sister cooperatives and two construction companies, with a total of seventeen additional linemen/equipment operators come to assist. Although we fought the storm and outages from Sunday through Wednesday, the damage would have been much worse if not for the assistance received after the 2010 ice storm from South Dakota Emergency Management office and FEMA (Federal Emergency Management Agency).

In 2017, projects are moving forward and fast. In February, FEM line crews have patrolled one hundred percent of our electrical lines and completed one hundred percent of the meter reads. This project was prioritized at the top in order to record all damages that were presented to FEMA inspectors. Also in February, Rural Utilities Service (RUS) spent two days reviewing maintenance and operation records, along with visually inspect-

ing some of FEM's utility lines; which resulted in a very satisfactory report. In March, we concluded our annual Audit with Eide Bailly along with a South Dakota Workman Compensation audit, and line crews identified and replaced over 500 guy attachments due to failing equipment.

Employees then moved into repairing and cleaning up storm damaged lines and retiring all electric services where releases were signed. In 2017, we will complete several software upgrades and implementations, along with completing our GIS project of all FEM Electric plant.

We have utilized Dalager Engineering of Bath to create and develop a new four-year work plan, along with an updated Long Range work plan. Our last Long Range work plan was approved in 1997. As our member/owners are aware of, many things have changed in twenty years. These work plans are used to help develop our annual budget and to give a road map of where improvements are needed.

Finally, communication and education are on the top of my priorities, along with FEM directors and staff. We believe having well informed employees, member/owners and citizens within our territory are a must. We continue to offer a classroom course, with assistance of East River, to all third and fifth graders to inform them of how electricity is produced, transported, and used, along with the cooperative business model. We try to keep members informed through the Cooperative Connection, social media, newspapers and news releases.

The cooperative business model will continue to work in rural America only if our future member/owners are educated on the benefits of being member owned.

2016 FEM Electric Annual Meeting Minutes

The 68th Annual Meeting of the members of FEM Electric Association, Inc. was held at 6:30 p.m. at the Ipswich High School Theatre in Ipswich, SD on Thursday, June 16, 2016 with 153 members registered.

An evening meal was provided to the members and guests prior to registration for the meeting. 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. The board of directors were introduced while the children were gathering.

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 announced the minutes for the 2015 annual meeting were printed in the annual report distributed as the members registered. Vaughn Beck entertained a motion to dispense with the reading of the minutes from the 2015 annual meeting and accept the minutes as printed on page 3 of the annual report. Motion to approve was made, seconded, and carried.

Attorney Vaughn Beck introduced the Nominating Committee: Rudy Aman, Justin Davis, Joe Galbraith, Brad Neuharth, and Jesse Nierman. The following

candidates were nominated for re-election in District 1 – Gerald Haupt and District 4 – Frank Heinz. No petitions for nominations were turned in. Attorney Beck asked for a motion and a second to cast a unanimous vote to officially elect Gerald Haupt for District 1 and Frank Heinz for District 4, motion carried.

Attorney Vaughn Beck presented the following bylaw changes to be voted on by the members:

Section 3. Notice of Director's Meetings. 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.

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 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 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, following the giving of a Notice by mail or publication that unless payment is claimed within six (6) months, 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 period following the giving of such Notice, either by mail or publication, shall be deemed to terminate six (6) months after the mailing or publication of such Notice.

Motion was made to accept the bylaw changes as

presented, all in favor, motion carried.

President Frank Heinz thanked the Holy Cross Alter Society for serving the meal and the Ipswich Public School for allowing FEM to use their facility. He explained that 2015 was another successful year at FEM. Frank announced that the FEM building project was almost complete and invited the members to stop in and visit their cooperative. He reviewed the addition of on-line access for consumers in 2015, capital credits and construction completed. Frank also explained the kwh tax that FEM pays to our area schools and cities. He touched on the status of the EPA Clean Power Plan. He ended by thanking the staff for their hard work and the members for their patience and support.

Vice President Gary Bachman introduced the guest speaker, Jean Schaffer, a Legislative Representative for Basin Electric Power Cooperative. Jean did an overview of Basin Electric and then addressed the Clean Power Plan (CPP) in detail. She showed that work is being done to decrease coal usage and since 2000 until now, coal has decreased by half. Jean explained what we know about the CPP, what we don't know, the initial assessment, current legal situation, presidential election impact and potential legislative fixes to make the CPP achievable.

FEM Annual Meeting Minutes Con't.

Treasurer Gerald Haupt stated that all records were audited by Eide Bailly, LLP (Sioux Falls) in March 2016. 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. FEM Electric experienced growth in total assets in 2015. He pointed out that KWH sales decreased and revenue is comprised of 68.5% commercial and 30.2% residential at the end of 2015. He explained the 2015 patronage capital and operation margin ended at \$547,737 with the total margin including non-operating expenses ending at \$1,158,005. Gerald explained a little bit about the North Star Energy partnership and encouraged members to utilize their services. He also explained the G&T allocations and Hazard Mitigation Grants that have been awarded to FEM for 2015 and 2016. He reminded the members that our goal remains the same, to continue the reliable service that the members expect.

General Manager Scott Moore thanked the members for taking time out of their busy schedules to attend their cooperative meeting. He announced that the National Rural Electric Cooperative Association (NRECA) has named a new CEO, Congressman Jim Matheson, who was chosen to fulfill Joann Emerson's duties. He thanked the employees for their dedication and commitment which is a big part of the success of FEM Electric. Scott reviewed the history of rural electrification and FEM Electric beginning back in 1936. He moved forward to today and explained how the rural electrics have improved the quality of life for rural America. This can only continue with hard work from our members, state and national organizations and by the support of the politicians working for us. The cooperative business model is strong, it has worked well in the past and will continue to work for the next generation, if we have strong leaders. He stressed the importance

of keeping the members' cooperative locally controlled. Scott assured the members that the directors and employees work diligently through strategic planning to make sure their cooperative is moving forward. He also addressed the importance of reliability and assured the members that FEM does not take outages lightly. By working together, FEM and the members can keep moving their coop ahead. He thanked the members for allowing the directors and employees the opportunity to serve them.

Tom Thorpe announced the Touchstone Energy Scholar of the Week program and the 2016 winners Margaret Thares and Kristen Hoffman. The \$1,000 Member Basin Scholarship was presented to Kaci Clement and the \$500 FEM Scholarships were presented to Alex Preszler and Logan Heupel. Autumn Pitz was recognized for winning a \$1,000 Employee Basin Scholarship.

Autumn Pitz, a 2015 Youth Tour attendee, gave an overview of the oppor-

tunities FEM has given her over the years through the Youth Excursion, DC Youth Tour and scholarship. She asked the members to encourage their children and grandchildren take advantage of these educational experiences.

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. A motion was made to adjourn the meeting, seconded and carried.

The children were asked to rejoin the adults for final prize drawings. The Grand Prize Drawings were held: \$250 – Elmer Schock, Leola; \$100 – Delmar or Joann Metzger, Eureka; \$100 – Justin or Courtney Davis, Ipswich; \$50 – Loren or Alma Roseland, Seneca. Ashley Ptacek and Isaiah Heilman were drawn respectively for the girls and boys bike giveaway.

The Seven Cooperative Principles

1. **Voluntary and Open Membership**
2. **Democratic Member Control**
3. **Members' Economic Participation**
4. **Autonomy and Independance**
5. **Education, Training & Information**
6. **Cooperation among Cooperatives**
7. **Concern for Community**

Treasurer's Report

Gerald Haupt, Treasurer



It is my pleasure to provide you with the financial statements for 2016. All records were audited by the firm of Eide Bailly, LLP of Sioux Falls in March, 2017.

FEM's total utility plant at the end of 2017 was \$33,346,823 and we have depreciated \$7,377,561 which leaves \$25,969,262 in un-depreciated plant.

We had investments and

cash on hand in the amount of \$7,550,908 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 \$2,805,829. Total assets for 2016 were \$36,325,999.

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 \$22,796,098. Accrued tax expense, customer deposits, notes payable and deferred credits were \$1,662,552. Patronage capital and other equities, which are primarily the margins generated by your cooperative since 1998, were \$11,867,349. The total liabilities and equities were \$36,325,999.

On page 9, you will find the Income and Expense Statement for 2016. Total operating income for 2016 was \$14,096,663 which is increased \$577,192 from 2015. Revenue from residential customers was \$4,096,475 and revenue from commercial customers was \$9,847,149.

Total expenses were \$13,746,860, which included

power costs of \$9,515,402 at an increase of \$579,187. Operations and maintenance expenses were \$939,559, a decrease of \$59,008. Customer services, sales, and office expense was \$1,324,105, an increase of \$23,848. Depreciation expense was \$899,328, which was an increase of \$94,701. Tax expense was \$248,272, which was an increase of \$5,340. Interest expense was \$820,194 which was an increase of \$131,058. The increases in depreciation and interest are due to the distribution and general construction projects that have been completed over the last seven years.

FEM's patronage capital and operating margin was \$349,804. Non-operating margin and income from job orders, electrical dept. and investment in North Star and Rural Dakota were at a loss of \$35,504. 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 \$965,224. The total margins were \$1,279,524.

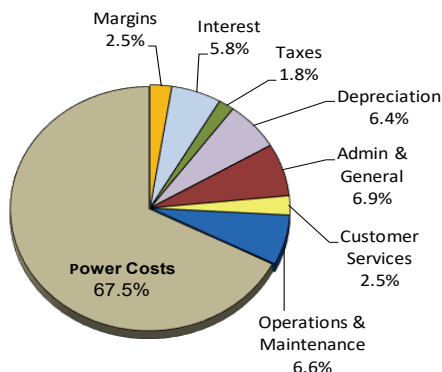
In 2016, the Commercial revenue increased and is 69.8% and residential decreased and is 29.1% of the total revenue. On page 7 and 9, you will find a comparison of various operating statistics for the calendar years 2015 and 2016. Sales were increased 3,521,641 kWhs and the number of connected meters increased by 14 for a total of 2,151. The average monthly residential usage increased 6 kWh and the average monthly residential bill increased by \$1.36. Also included in this report, are a number of graphs that show the breakdown of revenue and expenses for 2016 and also chart our history for the last five years.

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

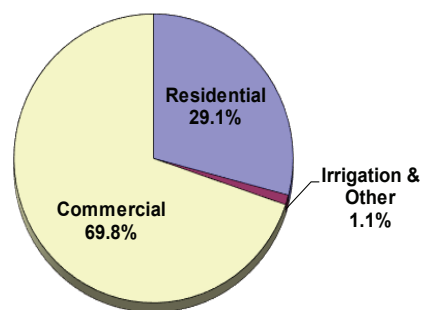
Respectfully submitted,

Gerald Haupt, Treasurer

2016 Revenue Allocation



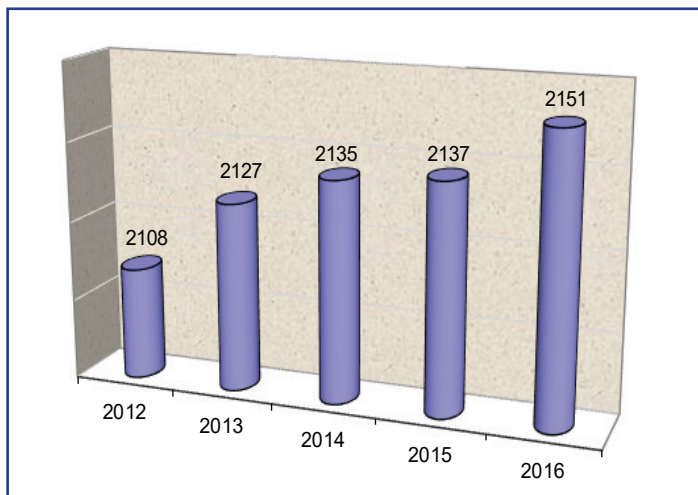
2016 Revenue



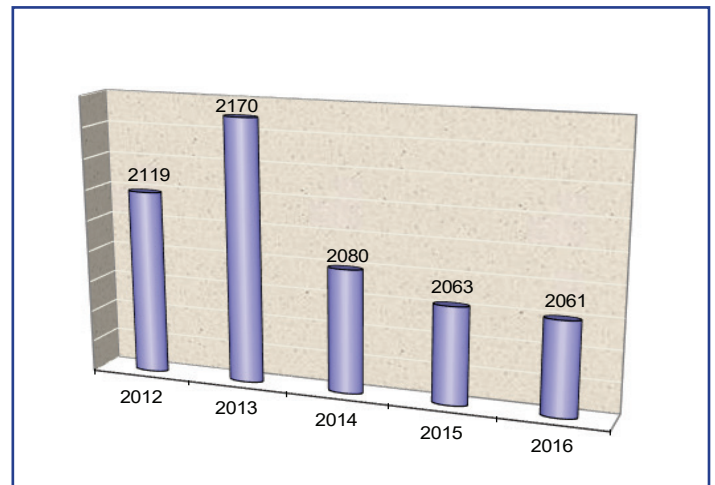
Comparative Operating Statistics

	2014	2015	2016
kWhs Purchased	156,332,148	155,540,975	159,495,426
kWhs Sold	151,301,130	150,980,309	154,501,950
Estimated kWhs Used in December Sold in January	1,035,025	311,418	544,929
kWhs Unaccounted for (Line Loss, etc.)	3,995,993	4,249,248	4,448,547
Percent of kWhs Unaccounted for	2.556%	2.732%	2.789%
Number of Connected Consumers	2,135	2,137	2,151
Number of Idle Services	111	112	102
Average Monthly kWh (All)	5,906	5,888	5,986
Average Monthly kWh (Residential)	1,596	1,451	1,457
Average Monthly Bill (All)	\$534.35	\$525.31	\$544.75
Average Monthly Bill (Residential)	\$190.56	\$178.48	\$179.84
Average Cost of Power Purchased at Substations	\$.0574	\$.0575	\$.0597
Average Selling Price Per kWh	\$.0905	\$.0892	\$.0910
Miles of Line Energized	2,080	2,063	2,061
Consumer Density Per Mile (Energized)	.97	.97	.96

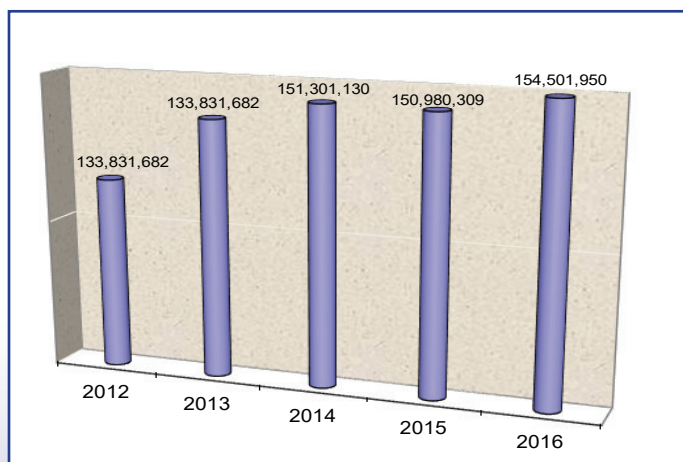
Connected Consumers



Miles of Line



Total kWh Sales



2016 kWh Generation Tax By School District

School District	Total
Hoven 53-2	1,360
Northwestern Area 56-7	7,555
Faulkton Area 24-3	47,558
Edmunds Central 22-5	30,290
Ipswich 22-6	312,478
Bowdle 22-1	18,448
Warner 6-5	68
Eureka 44-1	14,102
Leola 44-2	47,852
Total	\$479,711

Financial Statements

WHAT WE OWN:

Total Utility Plant	2015 \$32,285,724	2016 \$33,346,823
Less: Reserve for Depreciation	-7,572,107	-7,377,561
Total Utility Plant, less Reserve for Depreciation	24,713,617	25,969,262

CASH AND INVESTMENTS:

Cash on Hand – In Banks	297,210	895,017
Investments	5,749,156	6,655,891
Total Cash and Investments	6,046,366	7,550,908

OTHER ASSETS:

Accounts Receivable-Consumer/Other	873,433	1,112,981
Material and Supplies	489,439	355,019
Prepayments	29,781	29,633
Interest Receivable	3,372	3,324
Deferred Debits	510,489	468,304
Notes Receivable – Heat/Value Loans, ATC	45,947	34,095
Other Investments – Rural Dakota/North Star	777,341	802,473
Total Other Assets	2,729,802	2,805,829

TOTAL ASSETS	\$33,489,785	\$36,325,999
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WHAT WE OWE:

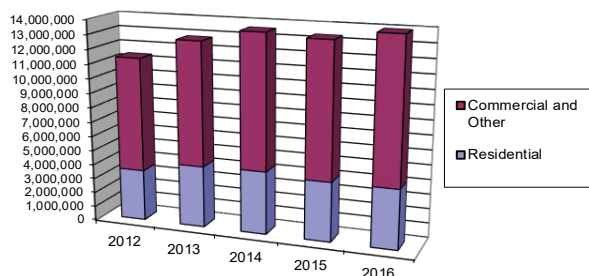
Total Borrowed from RUS	2015 18,586,500	2016 20,638,224
Less: Principal: Payments	3,385,775	3,818,437
Net Obligations to RUS	15,200,725	16,821,511
Long-Term Debt – RUS Rural Development Loan	0	0
Long-Term Debt – Other (Net)	3,770,887	5,974,587
Long-Term Debt – Storm Line of Credit	0	0
Long-Term Debt – Building Line of Credit	2,055,000	0
Accrued Taxes and Liabilities	389,709	394,132
Deferred Credits (Consumer Prepayments & Deposits)	11,196	14,986
Notes and Accounts Payable	1,265,270	1,253,434
TOTAL AMOUNT WE OWE	22,692,787	24,458,650

EQUITIES:

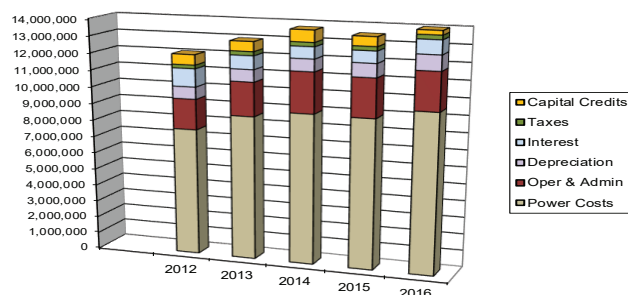
Patronage Capital and Other Equities	10,796,998	11,867,349
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TOTAL LIABILITIES AND EQUITIES	\$33,489,785	\$36,325,999
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Revenue Comparison



Revenue Allocation



Income and Expenses

REVENUE:	2015	2016
Residential Sales	4,089,571	4,096,475
Irrigation Sales	120,919	114,416
Commercial Sales	9,257,534	9,847,149
Street Lights	3,054	3,054
Other Electric Revenues – Wind Energy/Solar	34	84
Sale of Renewable Energy Credits (RECs)	16,494	0
Rent from Electric Property	2,100	6,100
Other Operating Revenue	29,765	29,385
TOTAL REVENUE	13,519,471	14,096,663
EXPENSES:		
Cost of Power	8,936,215	9,515,402
Line Operations	469,098	426,669
Line Maintenance	529,469	512,890
Consumer Accounting and Collecting	202,139	210,820
Customer Service and Sales Expense	118,297	137,596
Administrative and General Expenses	979,821	975,689
Depreciation	804,627	899,328
Property and KWH/ Taxes	242,932	248,272
Interest Expense	663,267	809,272
Interest Expense – Storm Line of Credit	2,670	0
Interest Expense – Building Line of Credit	22,835	10,786
Other Deductions	364	136
TOTAL EXPENSES	12,971,734	13,746,860
PATRONAGE CAPITAL CREDIT/MARGINS:		
FEM Operating Margins	547,737	349,804
Non-Operating Margins	103,036	(59,136)
Income/Loss from Investments-North Star/Rural Dakota	102,571	23,632
East River/Basin Margins	350,789	913,130
Other Margins	53,872	52,094
TOTAL MARGINS	1,158,005	1,279,524
WHERE THE DOLLARS CAME FROM:		
Residential	30.2%	29.1%
Commercial	68.5%	69.8%
Others	1.3%	1.1%
WHERE THE DOLLARS WENT:		
Cost of Power	66.1%	67.5%
Operations and Administration	17.0%	16.0%
Depreciation	6.0%	6.4%
Taxes	1.8%	1.8%
Interest	5.1%	5.8%
Margin	4.0%	2.5%

Employees



RHONDA TUSCHERER
*Director of Finance
and Benefits*



ROB VETCH
*Line
Superintendent*



JIM RESMEN
Engineer



RYAN HOLIEN
*Journeyman/
Member Service*



JUSTIN LARSON
Foreman



CAROL SCHAFFNER
Work Order Clerk



VALETTE HORST
Receptionist



ANGIE SIEH
Accounting Clerk



CRYSTAL THORSON
Billing Clerk



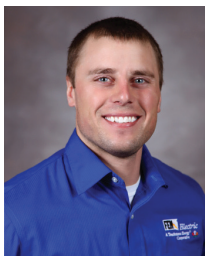
BARB SCHAEFER
Custodian



PERRY PTACEK
*Journeyman
Lineman*



JOSH WEIGEL
*Journeyman
Lineman*



DAN FELDHAUS
*Journeyman
Lineman*



SEAN CHRISTIANSEN
*Journeyman
Lineman*



JESSE BROWN
*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	Hillview	Cleveland	Blaine	Dewey	Howard	Washington	Lincoln
Modena	Hosmer	Sangamon	North Bryant	Adrian	Rosette	Belle	Pembroke
District 3				District 4			
Bowdle	Cottonwood	Glen	Bryant	Huntley	Ipswich	Fountain	Cortlandt
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
Asst. Sec./Treas.



FRANK HEINZ, JR.
District 4
President



LARRY BOWAR
District 5
Secretary

Nominating Committee

FEM ELECTRIC ASSOCIATION, INC.
IPSWICH, SOUTH DAKOTA
April 6, 2017

We, the Nominating Committee, in session on April 6, 2017, at the Beck Law Office in Ipswich, South Dakota, hereby nominate the following:

District 2 - Tom Thorpe
District 3 - Gary Bachman

Albin J. Hahel
Chairman

Tom Thorpe
Secretary

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

Brian Hawk
Neil Hawk
Albin J. Hahel
Darryl Hawk
Tom Thorpe

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

Investing In Our Youth

Scholarships



Basin \$1,000

April Hoffman of Leola was chosen to receive a \$1,000 Basin Electric Power Cooperative scholarship. April plans to major in Nursing and minor in Psychology at South Dakota State University. Her parents are Mark and Kim Hoffman of Leola.

APRIL HOFFMAN



\$500 FEM

Benjamin Pond of Ipswich was chosen to receive a \$500 FEM scholarship. Ben plans to attend South Dakota State University majoring in Math with a minor in Statistics. His parents are Noel and Carol Pond of Ipswich.

\$1000 TE/KSFY

Ben was also selected during the Touchstone Energy/KSFY Scholar of the Week banquet as the Touchstone Energy Scholar of the Year, and received their top prize of a \$1000 scholarship. Since its inception in 2002, Touchstone Energy Cooperatives have awarded over \$75,000 in scholarships.

BENJAMIN POND

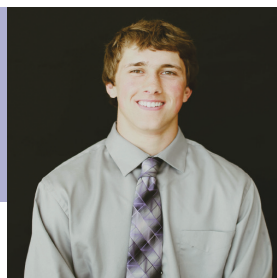


\$500 FEM

Tyler Cunningham of Faulkton was chosen to receive a \$500 FEM Electric scholarship. Tyler plans to major in Business Administration at the University of South Dakota. His parents are Brice and Nicole Cunningham of Faulkton.

TYLER CUNNINGHAM

Benjamin Pond of Ipswich High School was selected as Scholar of the Week for the week of May 17- May 21, 2017. He received \$100 scholarship and was featured on KSFY.



BENJAMIN POND

Touchstone Energy
Scholar of
the Week!



APRIL HOFFMAN

April Hoffman of Leola High School was selected as Scholar of the Week for the week of Nov. 28 - Dec. 2, 2016. She received \$100 scholarship and was featured on KSFY.

Youth Tour to Washington, DC



APRIL HOFFMAN



ABBY BERRETH



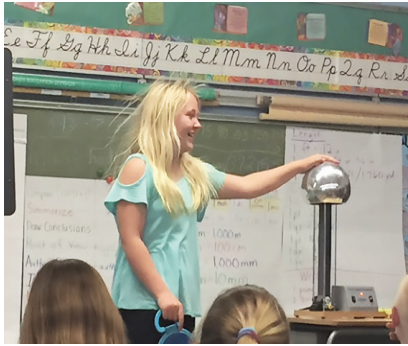
SAMANTHA RAILE

FEM Electric members will sponsor three students on Youth Tour to Washington, DC on June 8-15, 2017.

April Hoffman, daughter of Mark and Kim Hoffman of Leola; Abby Berreth, daughter of Jeff and Susan Berreth also of Leola, and Samantha Raile, daughter of Scott and Stephanie Raile of Eureka were selected based on the essays they submitted. They all did an excellent job explaining what they see a future electric coop looks like with new innovations, inventions and ideas. 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 Co-op in the Classroom



STUDENT TOUCHING SPECIAL GENERATOR PRODUCES STATIC



BIKE PRODUCING ELECTRICITY



**CO-OPS IN THE CLASSROOM
INSTRUCTOR JENNIFER GROSS**

After the retirement of Mark and Kathy DeGroot, as well as Margaret Nelson, FEM needed to restructure their school program. Crystal Thorson took over the program last fall to complete FEM's seventh year. She, along with Stephanie Horst and Ryan Holien, visited the six grade schools and six colonies in our territory.

Ryan presented our farm safety display and showed the students some personal protective equipment that linemen wear and use. Crystal and Stephanie taught about cooperatives, electrical safety and static electricity.

In the spring, Jennifer Gross of East River Co-ops in the Classroom presented to our schools/colonies. She brought

a static electricity making generator and a pedal operated generator. The 3rd and 5th graders learned how electricity is produced, what cooperatives are, what renewable and non-renewable energy is, along with a host of other topics. As you can see, the students had a fun filled, hair raising, bike pedaling experience.

FEM values the time they get to spend in the classroom with the children. We feel it is important to teach electrical safety and help them understand electricity as well as the cooperative way. In addition, the students learn new things while we help the teachers by covering some of their required topics.

2016 Basin Youth Excursion



Six students represented FEM Electric Association on the 2016 Youth Excursion. (L-R) Jadon Onken, Jaden Melius, Ashlee Thorson, Bailey Hammrich, Jacob Nierman and Aaron Schaible.

The 2016 Youth Excursion was July 25-28 and like the Youth Tour to D.C., the FEM membership provides this all-expense paid trip.

Each year this trip gathers students representing South Dakota electric cooperatives and charts a bus to take 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.

This excursion not only provided the students with an education on energy production, but also offered valuable understanding about the importance and influence of the local cooperatives. 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 2016/2017 following 2015 prices was low, along with the amount of propane sold. In 2015, North Star Energy sold 521,304 gallons less than the previous year end. With a lack of crop drying and an unusually warm first quarter, sales were down and propane inventories were up. North Star is financially strong and is an asset to FEM members and this region, but it is obvious that changes need to be made.

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 and somewhat complicated business. North Star management has done a good job of looking for savings, along with opportunities to increase sales.

The board and exceptionally dedicated employee group are committed to providing quality customer service, along with safe, affordable propane to this region.

	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)
June 30, 2016	\$711,322	(\$8,191)

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, 2016 Rural Dakota has eight lots left to sell. Currently, there are eight houses in the development that FEM Electric serves power to. FEM's total investment was \$96,500. As of December 31, 2016 FEM Electric has received a return on investment of \$46,300 and has \$47,053 in equity.



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 receive \$5.00 off your monthly electric bill. 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.

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 high voltage demonstration trailer, 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.

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 for resistance heat or \$50/ton for heat pumps. Don't put off installing a new heating system. Call FEM Electric at 426-6891 for more information.

Energy Conservation Loans

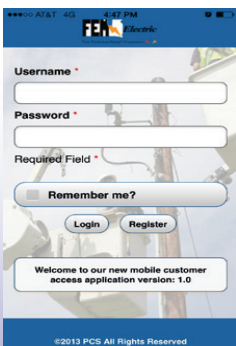
FEM Electric also offers an energy conservation 5% loan, which you may apply for to replace poor windows and doors, add insulation, weather stripping, caulking, heat pump systems, and general weatherization measures which reduce energy consumption. Call FEM Electric at 426-6891 for more information.

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.

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, you can pay your bill, look at usage graphs, and view and print past statements.

Electrical Department

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





800 5th Ave.
Ipswich, SD 57451
(605) 426-6891
www.femelectric.coop