

MEMBER
OWNED. MEMBER
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2018 ANNUAL REPORT
JUNE 21, 2018

CELEBRATING OUR **70TH**
ANNUAL MEETING

FEM Electric Association, Inc.

70th Annual Meeting

Thursday, June 21, 2018

Ipswich High School, Ipswich, SD

— Agenda —

5:00 PM Doors Open for meal in school lunchroom

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

6:00 PM Informational videos

6:30 PM Registration Closes

Meeting called to order – Gary Bachman, President

Invocation – Gerald Haupt, Vice President

Welcome with Special Guest Recognition - Gary Bachman

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 2017 Annual Meeting – Larry Bowar (page 4)

Unanimous Ballot For Director District 5 -

Vaughn Beck, Attorney

President Report – Gary Bachman, President (page 3)

Guest Speaker - Tom Boyko, East River

Treasurer Report – Frank Heinz, Jr., Treasurer (page 6)

Manager Report – Scott Moore, Manager (page 3)

Youth Scholarships & Trips Recognition –

Tom Thorpe, Asst. Sec./Treasurer &

Gerald Haupt, VP (page 12)

Basin Electric \$1,000 Scholarship -

Nathan Vetch, Faulkton

FEM \$500 Scholarships –

Grace Wolff, Leola

Lance Feickert, Leola

Touchstone Energy Scholar of the Week \$100 –

Nathan Vetch, Faulkton

Dylan Northrop, Ipswich

Washington, DC Youth Tour Trip –

April Hoffman and Abby Berreth, both of Leola,

Samantha Raile; Eureka

Old Business – Gary Bachman

New Business – Gary Bachman

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 70th 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 21, 2018** 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 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.



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

Gary Bachman, Board President



Service defined by The American Dictionary of The English Language (Noah Webster 1828), is the labor of body, or of body and mind, performed in pursuance of duty for the benefit of another.

Service to every meter and every member on the FEM electric system is the duty that each director and employee at FEM take very seriously. From decisions made in the board room, to daily activities of employees in the office, to every function performed by our linemen, every action we take is to serve the cooperative as a

whole and each member as an individual to the best of our ability.

It wasn't long ago that my friend and FEM member Melvin Roesch said in the tribute he wrote for former FEM employee Earl Johnson, "He served his country and his community with distinction." A high bar has been set by our predecessors and it is up to us to continue to serve above and beyond the goals that we and others set for us. We have a legacy to follow. The founding directors took an idea and put their reputations on the line to promote, organize and fund the system that we are proud to

call FEM Electric. The first employees were working for an unknown, a dream, a promise, a hope of something better for themselves, as well as the three-county area that came to be known as FEM Electric Association, Inc.

Recently I attended The Directors Conference for rural electricians and one of the speakers expounded on hiring of employees. His point was that if we hire employees that are less capable than ourselves we will fail, if we hire employees that are better or more highly skilled than ourselves, we will prosper and grow. It is the obligation of FEM Electric to hire the best individuals available for each position. This is a goal that FEM has taken very seriously for many years. I commend every employee for the job they do and the professionalism they conduct themselves with. Their dedication and commitment to providing safe, efficient and affordable electricity is unquestionable.

As directors and employees, we continually strive to improve our service to you, the owner, by attending classes, forums and workshops so that we can improve our ability to perform our jobs. We strive to be the best we can be so that you, the member, can have the best service possible. Yes, we have a legacy to follow, but we also have the dream, the goal of making our service territory a better place to live, work and raise our families. We are here to serve.

Respectfully, Gary Bachman

General Manager Report

Scott Moore, General Mgr /CEO



In the 2017 annual report, I mentioned communication and education are several of FEM's priorities. We continue to work at ways to inform and educate our members and future members on the cooperative business model and most of all, electrical safety. When electricity was brought to the area many electric cooperatives held informational meetings on electrical safety and the many uses and benefits of electricity: cooking, refrigeration and freezers, the use of electric motors for many farm duties like pumping water, grinding

and welding in the repair shop, along with grain handling.

Seventy years later we are still committed to providing safe, reliable, affordable electricity to our members. FEM is committed to obtaining ZERO public contacts and ZERO employee accidents. If you receive a call and/or letter of concern about hazardous wiring from FEM Electric, don't be upset. We are looking out for you and your family's best interest. Once our employees, operations and office notice an electrical hazard, it is their obligation to notify management and management's job to make sure the member is notified, and the hazard is corrected. Safety for our employees and the public is number one and at FEM Electric we are striving for ZERO.

On the operation side, crews spent the fall of 2017 plowing in underground primary cable to replace the damaged overhead line from the 2016 Christmas Ice Storm. These projects are completed, and all paperwork will be submitted to South Dakota Department of Emergency Management for reimbursement by August. Dalager Engineering of Bath, SD, completed a new four year and long-range construction

plan. These plans coincide with our annual budget, or as many of you have heard me say, our roadmap. These plans look in the past and look forward and help FEM staff and board make informed decisions with the information at the time. With good, accurate information, FEM Electric can plan for line upgrades and line replacement to get the most for the dollars spent. Without a good plan and obtainable goals, we would just spin our wheels.

In the office, we have concentrated on cyber security; protecting your personal information along with FEM's financial information. We have contracted this service with our G&T East River Electric. East River has seven employees in their IT department and all are able to assist FEM Electric and help monitor and keep our system updated. I believe technology is a great tool and it is a necessity in today's world, but technology is both expensive and labor intensive to deploy and maintain.

Looking forward, our plan is to continue our goal of reducing public contacts and improving reliability to our members. I appreciate our members patience in the north and west territory we serve. We know reliability is an issue. I hope you also know we have been working many years to get improvements to the transmission lines that feed our substations. I believe we may be getting some of these needed improvements in the area. Montana Dakota Utilities has started to build a new 115kv substation and transmission line in McPherson County which will help with capacity and reliability, along with moving and rebuilding a new 115kv substation north of Bowdle. Management and employees of East River Power Cooperative, Inc., of Madison, SD, have put together a well thought out ten-year plan for replacing their oldest transmission lines and substations. Several things it takes to get any project completed are: a good plan, time, man power, and money. Working with our sister East River distribution cooperatives in eastern South Dakota and western Minnesota, I have no doubt we will get these projects accomplished and improve reliability in all East River Power Cooperative, Inc. areas.

2017 FEM Electric Annual Meeting Minutes

The 69th 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 Wednesday, June 28, 2017 with 133 members registered.

An evening meal was provided to the members and guests prior to registration for the meeting. A video By the People, For the People was shown prior to the start of the annual meeting.

Frank Heinz called the meeting to order. Gary Bachman presented the invocation. Frank Heinz welcomed special guests, retired directors and retired employees. He also thanked the Ipswich Booster Club for serving the meal and the girls basketball team for staffing the children's program. 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 announced the minutes for the 2016 annual meeting were printed in the annual report distributed as the members registered. He entertained a motion to dispense with the reading of the minutes from the 2016 annual meeting and accept the minutes as printed on page 4-5 of the annual report. Motion to approve was made, seconded, and carried.

Attorney Vaughn Beck introduced the Nominating Committee: Brian Hauck, Niel Haar, Alden Flakoll, Darrell Davis, and Kevin Lapka. 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.

President Frank Heinz explained that

2016 was another busy year at FEM. Frank reviewed the line rebuild projects and the Christmas day 2016 ice storm. He explained that 2016 sales were strong and that's what pays FEM's bills. Equity and the 2017 capital credit retirement of \$274,123 was announced. FEM will be paying the KWH tax in the amount of \$479,711 to nine school districts in the FEM territory. He also reviewed the other programs that FEM provides for safety programs, schools, students and fundraisers. An update was given on the Clean Power Plan. Everyone was given a reminder to always keep safety first and be aware of their surroundings. Frank took time to thank the employees for their work and the members for their patience and assistance as we work through the rebuilding and maintenance projects. The board members and attorney were introduced to the attendees.

East River video was shown. East River's General Manager/CEO Tom Boyko touched on the cost savings of load management, East River's strategic plan, Southwest Power Pool (SPP), Western Area Power Administration (WAPA), cybersecurity, Basin's 2017 13% rate increase, and Rural Electric Economic Development (REED). He thanked FEM's General Manager/CEO Scott Moore and FEM's East River Board Member Gary Bachman for their hard work and staying engaged at the East River level.

General Manager/CEO Scott Moore introduced the guest speaker, Linda Salmonson from Rural Electric Economic Development (REED). REED was developed to invest in building a vibrant region in the cooperative areas. Linda showed a power point reviewing the REED program, showing a map of the member coops and going through the history of REED. Why Economic Development? To bring value to cooperative members' commitment to community. Why financing? To provide lasting impact, revolving funds and a self-

sustaining program. Goals? To stimulate growth and jobs in the rural areas. Linda reviewed specific funding activity in the FEM region and surrounding area. She thanked FEM Electric and General Manager/CEO Scott Moore for being an active part of the REED program and working to bring economic development funds to the Faulk, Edmunds and McPherson counties. President Frank Heinz thanked Linda for taking time to show attendees the value of the REED program.

Treasurer Gerald Haupt stated that all records were audited by Eide Bailly, LLP (Sioux Falls) in March 2017. He started with a quote, "Life isn't easy, life isn't perfect, but life is good" - author unknown. 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 2016. He pointed out that KWH sales increased and revenue is comprised of 69.8% commercial and 29.1% residential at the end of 2016. He explained the 2016 patronage capital and operating margin ended at \$349,804 with the total margin including non-operating expenses ending at \$1,279,524. Gerald explained a little bit about the North Star Energy and Rural Dakota partnerships. He encouraged members to utilize these partnerships to support their cooperative. He also explained the G&T allocations and Hazard Mitigation Grants that were awarded to FEM for 2016. Gerald also stated that the Christmas day ice storm qualifies for FEMA funding and that FEM has once again been approved for Hazard Mitigation funding. He thanked the board, employees and members. Gerald reminded the members that our goal remains the same, to continue the reliable service that the members expect.

General Manager Scott Moore introduced all employees and directors along

FEM Annual Meeting Minutes Cont.

with years of service recognition. He thanked employees for working together as one and picking up additional duties in 2017. Bob Gale, Audio/Video Coordinator from East River was thanked for his services at the FEM Electric Annual Meeting over the years. Scott announced that there are seats open on the Basin Tour bus in July. He explained a little history regarding the 1950's video "For the People, By the People" that was played before the meeting started. This video explains the history of coops. He told the attendees to make sure to look at the storm map in the lobby that shows the December 25, 2016 ice storm damage. Scott reviewed the 2017 Washington DC Legislative Get-Together. He said the coop representatives were told that FEMA changes are coming. Scott also reviewed the Hazard Mitigation Grant Program (HMGP) and what projects HMGP and FEMA will be covering over the next year. He explained the faulty guy attachments that were discovered during the December 2016 ice storm and reassured the members that the problem has been fixed and these attachments have been replaced. A video clip on a renewable energy protest was shown to the attendees and Scott

explained that this video was not shown to make fun of renewables, but to demonstrate some of the reliability issues that have been proven. He reassured the members that FEM is for renewables, but also stated that it is FEM's job to make sure to protect the electric system and provide reliable electricity. A video clip from the Washington DC Legislative Get-together was shown. In this clip, Jason Linde with NRECA spoke on the impact that FEM Electric had on his mom as a seven year-old girl. FEM served her small family farm in McPherson county in the early years of the rural electrics. He believes that electricity was a big part in his mom's future and fulfilled the lack of services in the rural area. Electricity brought many opportunities to her, her family and the area. Scott Moore reminded everyone that with foresight and leadership we can become powerful. He ended his message with the fact that "If we are not at the table locally, statewide and nationally, we will lose. It is important for us, the cooperative members, to be there".

Tom Thorpe announced the Touchstone Energy Scholar of the Week program and the 2017 winners Benjamin Pond

and April Hoffman. The \$1,000 Touchstone Energy Scholar of the Year was Benjamin Pond. The \$1,000 Member Basin Scholarship winner was announced, April Hoffman and the \$500 FEM Scholarships were announced, Tyler Cunningham and Benjamin Pond. Washington DC Youth tour attendees were recognized – April Hoffman of Leola, Abigail Berreth of Leola, and Samantha Raile of Eureka.

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 kids were asked to rejoin the adults for final prize drawings. The Grand Prize Drawings were held: \$250 – LeRoy and Peggy Jung, Roscoe; \$100 – James and Linda Ottenbacher, Eureka; \$100 – Myron and Sheila Fauth, Leola; \$50 – Robert and Evie Pond, Ipswich. Hope Wagner and Brody Davis 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 Independence**
- 5. Education, Training & Information**
- 6. Cooperation among Cooperatives**
- 7. Concern for Community**

Treasurer Report

Frank Heinz, Jr., Treasurer



It is my pleasure to provide you with the financial statements for 2017. All records were audited by the firm of Eide Bailly, LLP of Sioux Falls in March 2018.

FEM's total utility plant at the end of 2017 was \$33,862,748 and we have depreciated \$8,101,913 which leaves \$25,760,835 in un-depreciated plant. We had investments and cash on hand in the amount of \$9,377,809 which

includes capital credits due from power suppliers and other organizations with which we do business. Other assets, which includes inventory, accounts receivable, and prepaid accounts were \$2,925,702. **Total assets for 2017 were \$38,064,346.**

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 \$23,252,987. Accrued tax expense, customer deposits, notes payable and deferred credits were \$2,262,737. Patronage capital and other equities, which are primarily the margins generated by your cooperative since 2003, were \$12,548,622. **The total liabilities and equities were \$38,064,346.**

On page 9, you will find the Income and Expense Statement for 2017. **Total operating income for 2017 was \$14,781,249** which is increased \$684,586 from 2016. Revenue from residential customers was \$4,171,779 and revenue from commercial customers was \$10,415,558.

Total expenses were \$14,619,791, which included power costs of \$10,372,862 at an increase of \$857,460. Operations

and maintenance expenses were \$950,498, an increase of \$10,939. Customer services, sales, and office expense was \$1,239,406, a decrease of \$84,699. Depreciation expense was \$981,483, which was an increase of \$82,155. Tax expense was \$252,613, which was an increase of \$4,341. Interest expense was \$822,929 which was an increase of \$2,735. The increases in depreciation and interest are due to repairs and upgrades to the distribution system.

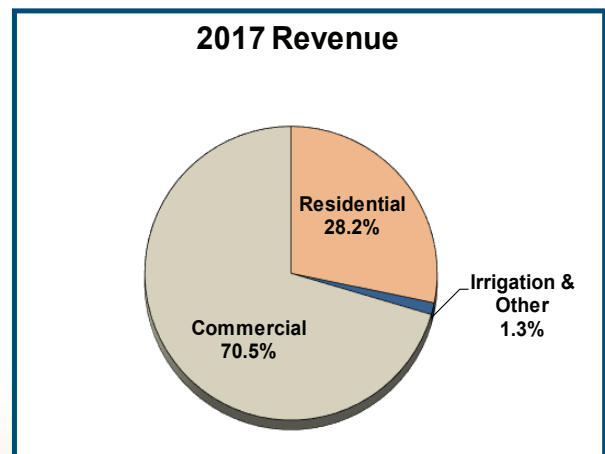
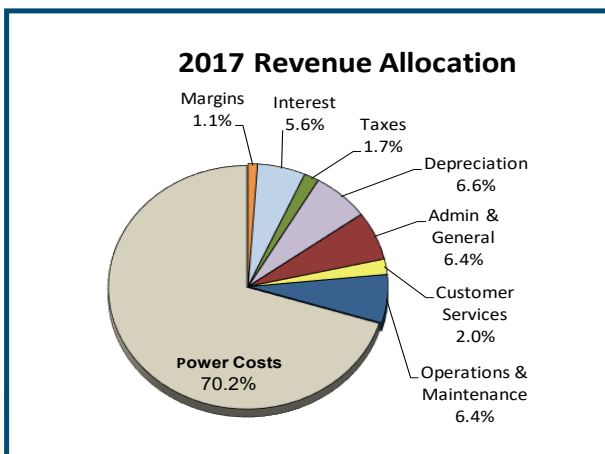
FEM's patronage capital and operating margin was \$161,458. Non-operating margin and income from investment in North Star and Rural Dakota were at a profit of \$71,970. See page 14 for more information on North Star Energy and Rural Dakota. East River and other margins, which are capital credit allocations from other cooperative organizations which we do business with were \$757,828. The total margins were \$991,256.

In 2017, the Commercial revenue increased and is 70.47% and residential decreased and is 28.23% of the total revenue. On pages 6, 7 and 8, you will find a comparison of various operating statistics for the calendar years 2016 and 2017. **Sales were increased 2,338,443 kWhs and the number of connected meters decreased by 39 for a total of 2,112.** The average monthly residential usage increased 26 kWh and the average monthly residential bill increased by \$6.82. Also included are a number of graphs that show the breakdown of revenue and expenses for 2017 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,

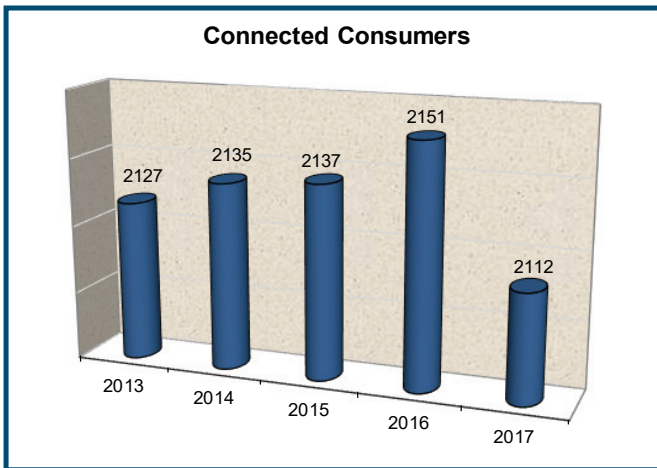
Frank Heinz, Treasurer



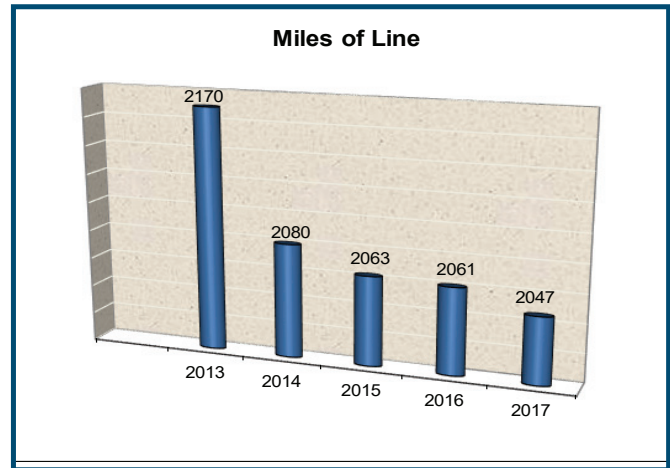
Comparative Operating Statistics

	2015	2016	2017
kWhs Purchased	155,540,975	159,495,426	162,284,773
kWhs Sold	150,980,309	154,501,950	156,840,393
Estimated kWhs Used in December Sold in January	311,418	544,929	1,941,295
kWhs Unaccounted for (Line Loss, etc.)	4,249,248	4,448,547	5,444,380
Percent of kWhs Unaccounted for	2.73%	2.79%	3.35%
Number of Connected Consumers	2,137	2,151	2,112
Number of Idle Services	112	102	60
Average Monthly kWh (All)	5,888	5,986	6,188
Average Monthly kWh (Residential)	1,451	1,457	1,483
Average Monthly Bill (All)	\$525.31	\$544.75	\$581.68
Average Monthly Bill (Residential)	\$178.48	\$179.84	\$186.66
Average Cost of Power Purchased at Substations	\$0.06	\$0.06	\$0.06
Average Selling Price Per kWh	\$0.09	\$0.09	\$0.09
Miles of Line Energized	2,063	2,061	2,047
Consumer Density Per Mile (Energized)	0.97	0.96	0.97

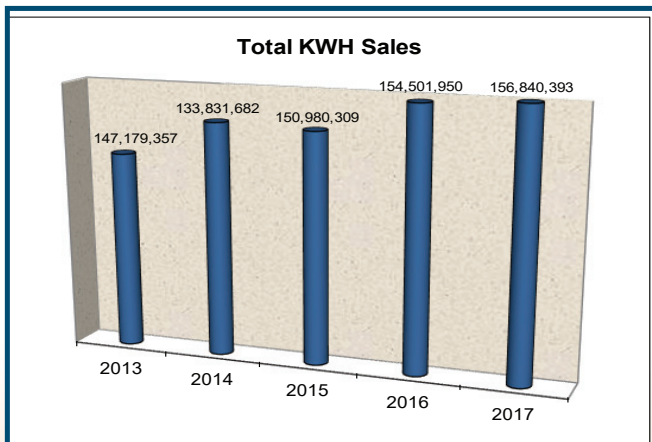
Connected Consumers



Miles of Line



Total kWh Sales



2017 kWh Generation Tax By School District

School District	Total
Hoven 53-2	1,466
Northwestern Area 56-7	8,015
Faulkton Area 24-3	48,373
Edmunds Central 22-5	32,504
Ipswich 22-6	311,405
Bowdle 22-1	21,535
Warner 6-5	66
Eureka 44-1	15,263
Leola 44-2	48,783
Total	\$487,410

Financial Statements

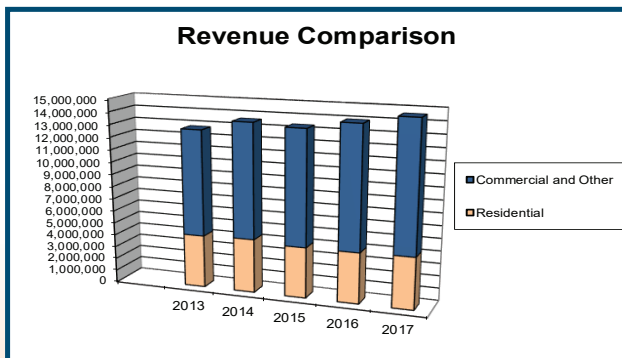
ASSETS What We Own

Current Assets	2017	2016
Cash	235,692	266,891
Short Term Investments	313,817	628,126
Patronage Capital - Associated Cooperatives	6,385,388	5,783,888
Investments in Associated Organizations	871,888	872,003
Investments in Partnerships	864,935	802,474
Investments in Economic Development Projects	685,500	0
Investments in Member Programs	20,589	34,095
Receivables	1,319,147	1,116,304
Material and Supplies	369,427	355,019
Prepaid Insurance	29,956	29,633
Deferred Debits	1,207,172	468,304
TOTAL CURRENT ASSETS	12,303,511	10,356,737
Fixed Assets		
General Plant	5,772,277	5,769,489
Electric Distribution Plant	28,090,471	27,577,334
Less: Depreciation Reserve	-8,101,913	-7,377,561
TOTAL FIXED ASSETS	25,760,835	25,969,262
TOTAL ASSETS	\$38,064,346	\$36,325,999

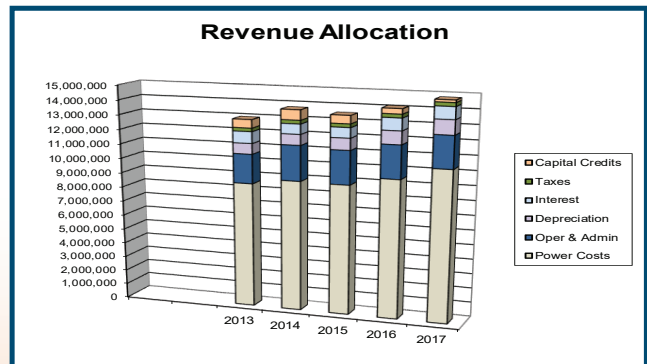
LIABILITIES What We Owe

Current Liabilities	2017	2016
Notes and Accounts Payable	1,019,377	1,253,434
Consumer Deposits	7,619	7,319
Current and Accrued Liabilities	1,235,741	1,041,799
TOTAL CURRENT & ACCRUED LIABILITIES	2,262,737	2,302,552
Long-Term Debt		
Long Term Debt - RUS/FFB	17,181,672	16,473,510
Long Term Debt - CFC	5,452,991	5,682,587
Long-Term Debt - USDA Rural Development Loan	618,324	0
TOTAL LONG-TERM DEBT	23,252,987	22,156,097
Equities		
Patronage Capital Assigned	9,066,876	8,157,767
Unassigned Capital	858,566	1,262,934
Other Margins and Equities	2,490,490	2,430,059
Non-Operating Margins	132,690	16,590
TOTAL EQUITIES	\$12,548,622	\$11,867,350
TOTAL LIABILITIES	\$38,064,346	\$36,325,999

Revenue Comparison



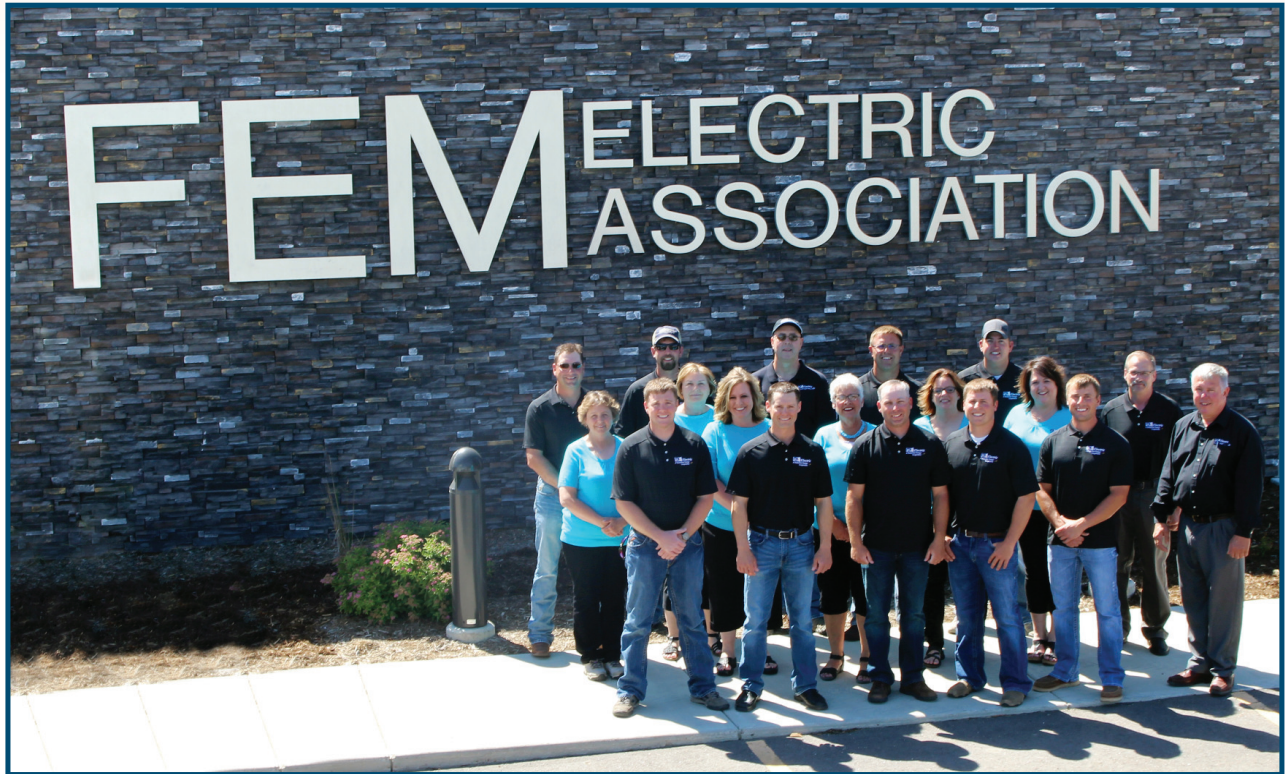
Revenue Allocation



Statement of Operations

Revenue	2017	2016
Residential Sales	4,171,779	4,096,475
Irrigation Sales	151,686	114,416
Commercial Sales	10,415,558	9,847,149
Street Lights	3,054	3,054
Other Electric Revenues - Wind Energy/Solar	36	84
Sale of Renewable Energy Credits (RECs)	2,644	0
Rent from Electric Property	6,100	6,100
Other Operating Revenue	30,392	29,385
TOTAL REVENUE	14,781,249	14,096,663
Expenses		
Cost of Power	10,372,862	9,515,402
Line Operations	457,245	426,669
Line Maintenance	493,253	512,890
Consumer Accounting and Collecting	212,718	210,820
Customer Service and Sales Expense	76,422	137,596
Administrative and General Expenses	950,266	975,689
Depreciation	981,483	899,328
Property and KWH Taxes	252,613	248,272
Interest Expense - Long Term Debt	820,057	809,272
Interest Expense - Storm Line of Credit	2,846	0
Interest Expense - Building Line of Credit	0	10,786
Interest Expense - Member Service Program	26	136
TOTAL EXPENSES	14,619,791	13,746,860
Margins/Patronage Capital Credits		
FEM Operating Margins	161,458	349,804
Non-Operating Margins	12,308	-59,136
Income/Loss from Investments-North Star/East River/Basin Margins	59,662	23,632
Other Margins	60,720	52,094
TOTAL MARGINS	991,256	1,279,524
WHERE THE DOLLARS CAME FROM	2017	2016
Residential	28.23%	29.10%
Commercial	70.47%	69.80%
Others	1.30%	1.10%
WHERE THE DOLLARS WENT:		
Cost of Power	70.18%	67.50%
Operations and Administration	14.82%	16.00%
Depreciation	6.64%	6.40%
Taxes	1.71%	1.80%
Interest	5.57%	5.80%
Margin	1.09%	2.50%

Employees



Pictured left to right: Back - Josh Weigel, Sean Christiansen, Rob Vetch, Perry Ptacek, Jesse Brown, Middle - Barb Schaefer, Carol Schaffner, Angie Sieh, Valette Horst, Crystal Thorson, Rhonda Tuscherer, Jim Resmen, Front - Gregg Zwart, Ryan Holien, Justin Larson, Chad Dutenhoffer, Dan Feldhaus and Scott Moore, General Manager/CEO.

FEM's Oldest Living Member



In honor of FEM Electric Association's 70th Annual Meeting, we looked through the files searching for the oldest living member who still lives on FEM's line. It wasn't long before we found Phil Sporer of Ipswich, who actually still lives on his original farm where he signed up to get electricity from FEM on March 1, 1946. The membership application fee was \$5.00 (see inset).

Pictured on the left is Phil with the same oil lamp they used in the house before they received electricity. It now sits in his bedroom only as a reminder of the past. When they first hooked up to the electric line, they only used it for lights in the house and barn. He said it improved their lives so much by not having to use a lantern to milk the cows and to have light in the house in place of the oil lamp.

The first major appliance they purchased was a washing machine. It was a number of years later before they got an electric stove and refrigerator.

When asked if he thought society as a whole could function again without electricity, Phil responded, "Not very long – it would be very hard . . . we need electricity."

Leadership



GERALD HAUPT
District 1
Vice President



GARY BACHMAN
District 3
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	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
Asst. Sec./Treas.



FRANK HEINZ, JR.
District 4
Treasurer



LARRY BOWAR
District 5
Secretary

Nominating Committee

FEM ELECTRIC ASSOCIATION, INC.
IPSWICH, SOUTH DAKOTA
April 24, 2018

We, the Nominating Committee, in session on April 24, 2018, at the Beck Law Office in Ipswich, South Dakota, hereby nominate the following:

District 5 – Larry Bowar

[Signature]
Secretary

[Signature]
Chairman

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

[Signature]
[Signature]
[Signature]

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

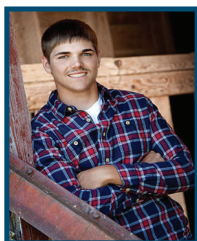
Investing In Our Youth

Scholarships Basin \$1,000



NATHAN VETCH

Nathan Vetch of Faulkton was chosen to receive a \$1,000 Basin Electric Power Cooperative scholarship. Nathan plans to major in Sports Management at Augustana. His parents are Darin and Mary Vetch of Faulkton.



LANCE FEICKERT

\$500 FEM

Lance Feickert of Leola was chosen to receive a \$500 FEM Electric scholarship. Lance plans to attend Lake Area Technical Institute to major in Precision Ag & Agronomy. His parents are Sid and Launa Feickert of Long Lake.

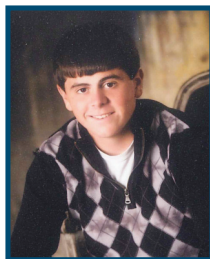


GRACE WOLFF

\$500 FEM

Grace Wolff of Leola was chosen to receive a \$500 FEM scholarship. Grace plans to attend Lake Area Technical Institute to receive an Associate Degree in Nursing. Her parents are Mike and Darcy Wolff of Forbes, ND.

Dylan Northrop of Ipswich High School was selected as Scholar of the Week for the week of Dec. 17- 23, 2017. He received \$100 scholarship and was featured on KSFY.



DYLAN NORTHROP

Touchstone Energy
**Scholar of
the Week!**



NATHAN VETCH

Nathan Vetch of Faulkton High School was selected as Scholar of the Week for the week of Feb. 4 - 10, 2017. He received \$100 scholarship and was featured on KSFY.

Youth Tour to Washington, DC



APRIL HOFFMAN



ABBY BERRETH



SAMANTHA RAILE

FEM Electric members sponsored 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 converged on DC for the Youth Tour, 44 of those were from South Dakota. They met congressional leaders, learned about cooperatives, and toured 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



CRYSTAL THORSON GIVES SOME HISTORY ON FEM



STUDENTS EXPERIMENTING



RYAN HOLIEN SHOWS ELECTRIC WIRE TYPES

Crystal Thorson and Ryan Holien, visited the six grade schools and five colonies in our territory this spring. The 3rd and 5th grade students were taught about FEM, cooperatives, resources, renewable/nonrenewable energy and electrical safety.

Students also participated in an experiment teaching them about insulators and conductors. Ryan ended the program demonstrating the use of a 'hot stick' and showed the students some personal protective equipment that linemen wear and use.

This past fall, Jennifer Gross of East River Co-ops in the

Classroom presented to our students. She brought a static electricity making generator and a pedal operated generator. She covered how electricity is produced, energy sources and other topics. Students had a fun filled, learning experience.

FEM values the time they get to spend in the classroom with the children. We feel it is important to teach electrical safety; to 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.

2017 Basin Youth Excursion



Five students represented FEM Electric Association on the 2017 Youth Excursion. (L-R) Ashley Blocker, Lexi Stafford, Grace Beyers, Jayna Sanborn and Caitlyn Lehr.

The 2017 Youth Excursion was July 24-28 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 charters 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

As you can see by the dates below, FEM is about one year behind on reporting yearend numbers on North Star Energy (NSE). North Star ends their year on June 30, and it is usually August before we get the audited financials. As the numbers show, NSE had a net profit of \$62,161 on their yearend. It is encouraging to see NSE move their financials in a positive direction. Some of the issues that NSE management and board have dealt with the past sev-

eral years, is a closing of a terminal that was supplied by a pipeline. The pipeline quit transporting propane. Now we have several terminals that are supplied by the railroad.

With the transformation of several propane terminals, NSE had to start over on building allocations. The way this works is, if you buy a tanker load of propane in the summer, you are guaranteed two tanker loads in the winter. This may seem simple, but it is somewhat complex to find buyers or storage in summer months. NSE could take a chance and buy off spot market year round, but we would not build any winter allocation and pricing that could result in large up and down swings. Management and the board do not think that is good business or good for our customers. We believe steady pricing and supply is what is expected of NSE. If you have any questions please contact Scott Moore FEM Electric Manager/CEO 605-426-6891.

	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)
June 30, 2017	\$766,869	\$55,547

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, 2017 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 \$99,300. As of December 31, 2017 FEM Electric has received a return on investment of \$46,300 and has \$44,553 in equity. As of June 1, 2018, FEM bought out Agtegra and Valley Communications and will continue to market the final 8 lots.

GOLF VIEW ACRES

A Touchstone Energy Cooperative®

Realtor: Beck Law Office
Call 605-426-6319

Promotions & Services

Water Heater Rebates

Consumers installing electric water heaters will receive the following rebates: standard water heater, 50 gallons or larger, \$3.00 per gallon; lifetime/grid enabled 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.

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.

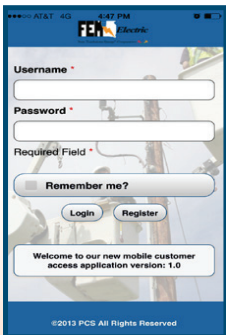
Safety Presentations



Another service provided by FEM Electric to consumers and the general public is electrical safety presentations. Whether it be farm safety information, our 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.

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.

Electric Heating System Rebates & Loans

Marketing rebates for heating systems are available. Consumers receive a \$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 with HSPF of 8.5 or greater, which also provide the benefit of air conditioning all in one unit. Auxillary heat rebates of \$10/kW up to 50 kW. Commercial heating \$10/kW up to 600 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.

Donations



Since 2009, a safety committee made up of FEM Electric employees decided to have labels printed with safety messages and place them on water bottles. All schools are given cases of water to sell and use as fundraisers for the vari-

ous school clubs and activities or they could give the water away; it is their choice. The water project has been positive and beneficial to the students, schools and FEM Electric. We also have some on hand for community groups that are raising money. We continue to donate napkins to any organization that wishes to use them. Contact FEM at 426-6891 for more information.

Electrical Department

FEM Electric has offered electric services to respond to electrical needs of our members in Faulk, Edmunds, and McPherson counties since May, 2016. If you have a project requiring an electrician, contact Jim at 426-6891 or 800-587-5880 for a quote.





Your Touchstone Energy® Cooperative 

800 5th Ave.

Ipswich, SD 57451

(605) 426-6891

www.femelectric.coop