

2020

ANNUAL REPORT

MEMBER DRIVEN AND COMMUNITY FOCUSED



Eastern Illini
Electric
Cooperative

www.eiec.coop
1-800-824-5102
330 W. Ottawa
Paxton, IL

2020 ANNUAL MEETING

Dear Members,

On behalf of Eastern Illini's Board of Directors and employees, we would like to welcome you to the 2020 Annual Meeting of Members.

Though the annual meeting date, location, activities, and program have been modified due to COVID-19, the purpose of the annual meeting remains the same. The annual meeting is your opportunity to become involved in the operation of Eastern Illini by electing the directors that represent you. The annual meeting is also our opportunity to inform you, our members, as to the changes and progress of the past, opportunities and challenges of the present, and the direction of the future.

The 2020 Annual Meeting is much condensed and consists only of the business meeting. COVID-19 has seemingly changed everything on a daily basis. The EIEC Board of Directors originally postponed the meeting for the health and well being of our members and employees. Now that Illinois has reached Phase 4 of the reopening plan, the meeting is being held with social distancing guidelines in effect.

The EIEC Board of Directors has authorized a \$15 bill credit for annual meeting attendance this year. Registration will be done upon entering the Harvest Moon Twin Drive-In Theatre and the bill credit will be applied to your upcoming electric bill. We appreciate your ongoing support and continued commitment to Eastern Illini. The strength of EIEC comes from you, our members and owners, who stay involved by electing representatives interested in working to improve the quality of life in rural east central Illinois. We strive to be a member driven and community focused cooperative with the goal to provide safe and reliable electricity to all of our members.

Cooperatively,

Bob Hunzinger

President/CEO

BUSINESS MEETING

August 8, 2020

- Call to Order
- National Anthem
- Pledge of Allegiance
- Invocation
- Quorum Determination
- Notice and Proof of Mailing
- 2019 Meeting Minutes (with approval, pages 8 - 9)
- Treasurer's Report (with approval, pages 6 - 7)
- Chairman and CEO Report
- Director Election
- Unfinished Business
- New Business
- Adjournment

BOARD OF DIRECTORS

TYLER FINEGAN



District 1

Ashkum
1 year of service

TOM SCHLATTER



Chairman

District 2

Chatsworth
14 years of service

STEVE MEENEN



District 3

Melvin
14 years of service

BRUCE RISTOW



Assistant Secretary/
Treasurer

District 4

Cissna Park
14 years of service

KEVIN MOORE



Vice Chairman

District 5

Hoopston
6 years of service

BRAD LUDWIG

Secretary/Treasurer



District 6

Fithian
35 years of service

STEVE GORDON



District 7

Rantoul
4 years of service

CHAD LARIMORE



District 8

Bement
4 years of service

LAURI QUICK



District 9

Tolono
2 years of service

Eastern Illini Electric Cooperative provides electricity to over 11,500 households and businesses throughout 10 counties in east central Illinois. Eastern Illini employs 56 people, maintains over 4,500 miles of line, and distributes electricity from Prairie Power, Inc., a generation and transmission cooperative. As a not-for-profit electric cooperative, Eastern Illini is owned by the members it serves. EIEC is committed to providing safe, reliable electricity. Governed by 9 directors, who are themselves residential members, Eastern Illini also supports energy efficiency, education, and safety initiatives. Eastern Illini is member driven and community focused.

BOARD CHAIRMAN AND CEO REPORT

On behalf of Eastern Illini's Board of Directors and employees, we would like to welcome you to the 2020 Annual Meeting of Members! Thank you for attending your annual meeting. Due to the pandemic and postponement of the original meeting date, the location and format this year have been modified. We hope you enjoy the business portion of the meeting.

As a member-owned cooperative, we are dedicated to providing you – our members – with reliable electricity and excellent service. Our employees live in this area, just like you, and we are dedicated to improving the quality of life in rural east central Illinois. We would like to provide a few highlights from the past year:

SAFETY

Our driving and continual focus for the cooperative is the safety of our employees, our members, and the general public. The commitment to safety is reflected in the support of our Board of Directors, management, and our employees. The main portion of our safety goal each year is to experience zero lost time incidents. We did not achieve that goal in 2019, as we experienced three lost time events. In the latter part of 2019, we made an organizational change to further emphasize employee safety and safe practices. For 2020, our safety goal remains to experience zero lost time incidents.

COMMUNITY INVOLVEMENT

Eastern Illini is not just in the business of selling electricity. We are also working to improve the quality of life for our members and our communities. This year marked the third year of our Empowering Education Grant Program which provided \$20,000 to 40 deserving teachers throughout our communities to help fund engaging projects for their students.

Eastern Illini co-sponsored three Farm Safety Clinics with the Champaign County Farm Bureau. Eastern Illini also partnered with the Carle Center for Rural Health and Farm Safety for several safety days held in the EIEC service territory. More than 1,000 students have benefited from seeing the EIEC farm safety display at their school or at safety demonstrations.

MEMBER SATISFACTION

EIEC employees and Directors take pride in providing the service level our members deserve and expect. Each October, we include a survey with our billing. This survey typically covers topics such as member service, employee professionalism, rates, programs, and reliability. We also include questions to calculate an American Customer Satisfaction Index (ACSI) score. In 2019, our overall survey results were very good, and we received an ACSI score of 88 (out of 100)! This score places us in the top 15 percent of cooperatives across the nation. We are proud of the level of service that we provide and are constantly looking for ways to improve.

FINANCIAL UPDATE

2019 was a good financial year for your cooperative. Operating margins totaled nearly \$1.1 million, with total operating revenues of \$35.8 million. These margins are in addition to a \$539,000 pre-payment to PPI at the end of the year to reduce 2020 power cost for members. Total equity for the year ended at 49.7 percent while distribution equity was 40.2 percent which is within our benchmark target range. Our debt service coverage metric exceeded our lender's requirements. These two factors allow us to optimize our borrowing costs.

MARGINS AND CAPITAL CREDITS

Each year, we review our revenue collected compared to our expenses in providing electric service to you. A positive difference is like profit, but for a not-for-profit cooperative it is referred to as operating margins. These margins are then allocated as capital credits to be returned to you at a future date.

Our Board of Directors previously set a goal of returning margins back to our members on a 25-year cycle. We will achieve this goal in 2020. In 2019, we retired over \$1.5 million in capital credits to members who received electric service in 1992 and 1993. For 2020, we are budgeting a retirement of \$781,000 for the years of 1994 and 1995. Your Board members will be reviewing the magnitude of capital credits to be returned to members for 2021 and future years at their strategic planning session later this year. This return of your equity, or prior investment in EIEC, is one of the unique benefits of membership in a local, not-for-profit cooperative.

RATES

Through 2019, EIEC had not had a distribution rate adjustment since April 2013. Effective March 2020, member facility charges increased slightly in all service classifications. We also pass along any price adjustments from our wholesale power provider as necessary, in the power cost adjustment portion of our billing. Our wholesale power costs reflect the capacity, energy, and transmission portions of electricity pricing delivered to the EIEC metering points. For 2019, PPI average cost to members was 4.3 percent below budget.

A recent cost of service and a revenue study indicated the need for a slight overall revenue increase (1% based on gross revenue) in the near term. With the help of an outside rate consultant, we are in the process of completing a rate study, which will help to

BOARD CHAIRMAN AND CEO REPORT

determine the level of future changes in our fixed cost components (monthly base charge and a possible future demand charge component) while reviewing the appropriate level for energy (kWh) charges. We expect to implement these changes beginning in March 2021. However, the Board has the discretion to adjust any planned rate changes given the current economic circumstances, along with consideration of the 2020 financial performance of the Cooperative.

TECHNOLOGY

As the technology around us continues to change, we are always on the lookout for technology that will allow us to better serve you. Our online and smart phone account portal – SmartHub – continues to evolve. SmartHub lets you easily and conveniently pay your bill, view your electric use history, report an outage, and includes texting options. You can sign up for your FREE SmartHub account by visiting our website at www.eiec.coop. We continue to embrace technology in our daily operations and member services, using programs and analytics to assist with automated service orders, mapping, system analysis, staking, outage management, and many other applications that encourage member engagement.

POWER SUPPLY

About 60 percent of our power is provided by the Prairie State Generating Campus coal-fired power plant, located in Washington County, Illinois. Our wholesale power provider, Prairie Power Inc. (PPI), owns 130 MW of this facility, along with various other natural gas fired generation units. On the renewable front, PPI has two solar panel arrays and a portion of wind energy provided by the Pioneer Trail wind farm near Paxton. PPI also contracts for power supply in the Midcontinent Independent System Operator (MISO) market. PPI is continually monitoring existing and future market trends in balancing the decision of owning or contracting for future generation resources, to provide you with supply diversity and a stable long-term portfolio.

RELIABILITY

Our distribution system performed well this year, resulting in an average available reliability of 99.984 percent (excluding major storms and transmission supply outages). Even with the inclusion of major storm events and transmission supplier outages, our average available reliability was 99.94 percent. We continue to monitor and upgrade our system to maintain the high level of service you've come to expect. Power from PPI is delivered through the Ameren 69 kV transmission system. Annually, nearly one-third of our member's average outage time is a result of outages on the Ameren system that impact EIEC power substations. We continue to work with Ameren and PPI to improve their service and reliability.

CHALLENGES

Rural areas in general are experiencing population decline and a lack of adequate job opportunities, along with inadequate Internet access. The EIEC territory experiences similar trends, which leads to flat or minimal energy sales growth. We continue to actively monitor the State of Illinois' renewable initiatives, primarily for wind and solar. All members share in the cost of cooperative assets and annual expenses. Any loss of kWh sales and revenue resulting from member owned generation (such as solar) may have to be recovered from the total membership.

OPPORTUNITIES

Most of the recent additions in energy sales in our territory have been driven from existing member expansions of grain, livestock, and other agricultural related businesses. We continue to work with our members to optimize the value they receive from electric service. In late 2019, we signed an agreement for a pilot project with a wireless broadband provider that has plans to offer services in a large portion of our geographic territory. Our hope is that this agreement can lead to future broadband access for much of our membership.

We are in our 83rd year operating a successful electric distribution cooperative, and we appreciate the confidence that you have placed in us and our employees to represent your interests. We hope you have enjoyed this brief recap of our 2019 performance. Thank you for the opportunity to serve you.



TOM SCHLATTER

Board Chairman



BOB HUNZINGER

President/CEO

TREASURER'S REPORT

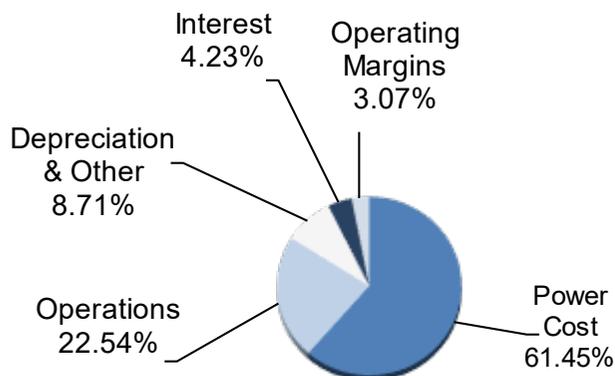
The enclosed financial information represents the Cooperative's operation for the fiscal years ended December 31, 2019, 2018, and 2017. These reports were taken directly from the books and records of the Cooperative which have been audited by the auditing firm of Kerber, Eck & Braeckel LLP. The American Institute of Certified Public Accountants sets the standards and scope of the audits.

BALANCE SHEET

December 31, 2019

ASSETS	2019	2018	2017
UTILITY PLANT			
Cost of Electric Plant	\$109,358,353	\$107,127,871	\$104,965,182
Less: accumulated depreciation	47,851,078	45,949,868	43,827,121
Net Utility Plant	\$61,507,275	\$61,178,003	\$61,138,061
CURRENT & OTHER ASSETS			
Cash-general	\$617,316	\$561,924	\$468,175
Investments	19,606,874	19,065,508	18,531,729
Accounts receivable, net	3,142,926	2,085,403	3,101,600
Materials and supplies	631,152	628,961	498,128
Prepaid and other assets	851,502	856,418	1,029,132
Total Assets	\$86,357,045	\$84,376,217	\$84,766,825
MEMBERS' EQUITY & LIABILITIES			
Membership fees & other equities	\$4,516,643	\$4,381,765	\$3,799,702
Patronage capital	32,934,207	31,623,280	30,382,552
Operating margins	1,099,715	1,420,225	1,405,822
Non-operating margins	4,384,735	4,428,477	4,410,856
Long-term debt	\$34,050,280	\$33,158,946	\$33,050,959
CURRENT & OTHER LIABILITIES			
Accounts payable & accrued expenses	\$3,526,407	\$2,897,963	\$3,884,387
Notes payable - Line of Credit	0	961,405	2,455,434
Consumers' deposits & prepayments	470,220	460,480	468,710
Other non-current liabilities	5,374,838	5,043,676	4,908,403
Total Members' Equity & Liability	\$86,357,045	\$84,376,217	\$84,766,825

2019 EXPENSES



HOW YOUR ELECTRIC DOLLAR WAS SPENT

	2019	2018	2017
Wholesale power cost	61.45%	60.81%	61.32%
Operations	22.54%	21.93%	21.32%
Depreciation & other	8.71%	8.87%	8.95%
Interest	4.23%	4.31%	4.36%
Operating margins	3.07%	4.07%	4.06%

TREASURER'S REPORT

STATEMENT OF REVENUE AND EXPENSE

for the year ended December 31, 2019

	2019	2018	2017
Total operating revenue	\$35,834,123	\$34,914,192	\$34,656,490
Operating expenses:			
Cost of power	\$22,020,805	\$21,232,653	\$21,251,200
Operations and maintenance expenses	4,436,434	4,063,337	3,816,614
Consumer accounts expense	686,202	687,668	687,037
Customer service and information expense	616,370	579,795	645,101
Administrative and general expense	2,216,949	2,191,389	2,108,208
Depreciation	3,122,848	3,098,416	3,100,068
Interest expense	1,515,381	1,505,212	1,511,004
Other deductions	119,419	135,497	131,436
Total operating expense	\$34,734,408	\$33,493,967	\$33,250,668
Operating margins (loss)	\$1,099,715	\$1,420,225	\$1,405,822
Non-operating margins (loss)	\$1,550,382	\$1,595,673	\$1,578,022
Income or (loss) from equity investments	27,044	25,495	25,525
Net margins (loss) for the year	\$2,677,141	\$3,041,393	\$3,009,369

OPERATING STATISTICS

Operating Statistics	2019	2018	2017
Total kWh purchased	267,551,710	268,722,045	254,553,654
Total kWh sold	247,708,315	249,757,627	233,910,415
Average number of consumers served	13,455	13,490	13,581
Average kWh usage per month per consumer	1,534	1,543	1,435
Average revenue per kWh sold to consumers	\$0.1447	\$0.1398	\$0.1482
Average cost per kWh purchased	\$0.082	\$0.079	\$0.083

EASTERN ILLINI SERVICES CORPORATION SUMMARY

	2019	2018	2017
Operating revenues	\$-	\$ -	\$ -
Operating expenses	594	3,034	4,260
Net operating (loss) income	\$(594)	\$(3,034)	\$(4,260)
Income (loss) from equity investments	\$27,494	\$28,435	\$29,767
Other	144	94	18
Net income (loss)	\$27,044	\$25,495	\$25,525

2019 MEETING MINUTES

The Thirty-Second Annual Meeting of Members of Eastern Illini Electric Cooperative, Inc. was held at Paxton-Buckley-Loda Junior/Senior High School, 700 W. Orleans Street, Paxton, Illinois on Thursday, June 6, 2019. Registration commenced at 3:00 p.m., and the business portion of the meeting convened at 7:00 p.m.

CALL TO ORDER

The business portion of the meeting was called to order by the Chairman of the Board, Thomas Schlatter, who presided and acted as Chairman. Secretary of the Board, Bradley J. Ludwig, acted as Secretary of the meeting and kept the minutes thereof.

NATIONAL ANTHEM

Morgan Connor led the membership in the National Anthem.

PLEDGE OF ALLEGIANCE

The membership then participated in the recitation of the Pledge of Allegiance.

INVOCATION

Director Harold Loy delivered the invocation.

QUORUM DETERMINATION

The Chairman announced that the registration staff had informed him that there were 995 member/owners present in person or by proxy, and that the attendance being in excess of 100 member/owners, as required by the bylaws to constitute a quorum, the Chairman announced that a quorum was in attendance, and he declared the meeting to be duly constituted to transact business.

INTRODUCTION OF GUESTS

Director Kevin Moore introduced the current Cooperative board of directors and employees, as well as retired directors and employees. Other acknowledged guests included Duane Noland of the Association of Illinois Electric Cooperatives (AIEC).

ELECTED OFFICIALS

Director Kevin Moore then recognized Representative Thomas Bennett who was in attendance and gave a brief informational update regarding current legislative matters of interest to the member/owners.

READING OF NOTICE OF MEETING AND PROOF OF MAILING

Chairman Schlatter indicated that Secretary Bradley J. Ludwig had certified the Official Notice of the meeting and the Affidavit of Mailing of said Notice. The Chairman directed the Secretary to annex to the minutes of this meeting a copy of the Notice together with the Affidavit of Mailing by the Board Secretary.

APPROVAL OF MINUTES – 2018 ANNUAL MEETING

The minutes of the Thirty-First Annual Meeting of Members held June 7, 2018, as printed in the 2019 Annual Meeting Program and Annual Report and distributed to all member/owners, were presented for consideration. Member/owner Robert Apperson made a motion that the rules be suspended; that the reading of the minutes of the Annual Meeting held June 7, 2018 be waived; and that the minutes be approved as presented in the official Annual Report of this meeting. His motion was seconded by member/owner Dwight Raab and unanimously approved.

REPORT OF TREASURER

Chairman Schlatter informed the membership that the Treasurer's Report was contained in the official Annual Report and there would be no oral report describing the amounts and matters set forth therein. A financial summary was also incorporated in the Notice of the meeting and is also available online at the Cooperative's website. However, questions about the report could be asked. The Treasurer's Report included operating statistics, the balance sheet for the years ending December 31, 2016, December 31, 2017, and December 31, 2018, respectively. Consolidated statements of revenues, and expenses of the Cooperative and its subsidiaries for those years, as well as other information were provided.

2019 MEETING MINUTES

The balance sheet reflected the following information for 2018:

Net Utility Plant	\$61,178,003.00
Total Assets	\$84,376,217.00
Long Term Debt	\$33,158,946.00
Total Members' Equity & Liabilities	\$84,376,217.00

Thereafter, the financial reporting period was concluded and Chairman Schlatter entertained a motion to accept the Treasurer's Report. A motion to accept the Treasurer's Report was made by member/owner Dennis Mangers. The motion was seconded by member/owner Jon Goembel and upon a unanimous vote, the motion was approved.

EXECUTIVE REPORT

Chairman Schlatter stated that the condition of the Cooperative for the prior year was noted in a written Executive Report (Board Chairman and CEO Report), included as part of the official Annual Report of the Meeting. In addition, that report was mailed to all member/owners. It was indicated that the executives would respond to questions from the floor after the conclusion of further meeting business.

President/CEO Robert Hunzinger then addressed the member/owners regarding a number of matters. He initially thanked Niemerg's Catering for providing the meal. He also thanked the Paxton-Buckley-Loda School District for allowing the Cooperative to utilize the school for the meeting. Also thanked were the member/owners, directors, employees, and guests for their attendance and participation in the Annual Meeting.

Mr. Hunzinger went on to address the Cooperative's member satisfaction scores, which placed it in the top fifteen (15%) percent of all cooperatives. He also addressed credits to member/owners, including the capital credit payback cycle. He then updated the member/owners regarding technology, as well as the status of rates. Mr. Hunzinger noted the last cost of service study and informed the member/owners of evolving aspects of fixed and variable costs, notably in light of changes in the way electricity is delivered, using the example of solar facilities.

Mr. Hunzinger addressed the evolving electric vehicle technology and its potential to impact the Cooperative. He also noted the program to provide education and teaching grants, as well as the long-standing Youth to Washington program. As a final matter, Mr. Hunzinger thanked Morgan Connor for singing the National Anthem. Mr. Hunzinger then turned the meeting back to Chairman Schlatter who thanked Mr. Hunzinger for his report.

ELECTION OF DIRECTORS/BYLAW AMENDMENTS

Chairman Schlatter announced that the next item of business would be the election of Directors and the vote with regard to the bylaw change. He called upon Attorney Guy Hall to address these matters. This year, there were two contested elections in Districts 1 and 9. The District 1 directorship involved an election between Tyler Finegan and Robert Warmbir. The outcome of that election was in favor of Mr. Finegan by a vote of 346 to 202. In the District 9 election, Lauri Quick received 395 votes to Theodore Hartke's 157 votes. In District 7 incumbent Director Steve Gordon was unopposed, and in District 8, incumbent Director Chad Larimore was unopposed. Accordingly, Tyler Finegan, Lauri Quick, Steve Gordon, and Chad Larimore were declared winners of the election by vote of the member/owners. The election process was conducted by Survey & Ballot Systems. The results were certified by Richard Berg of that company. A signed confirmation summary is available in the Cooperative's records. The elected directors were then acknowledged by the member/owners.

Mr. Hall then addressed the bylaw amendment that was presented to the member/owners. The bylaw change was approved by a vote of 478 to 45. Mr. Hall then yielded the floor to Chairman Schlatter.

QUESTIONS FROM THE FLOOR / UNFINISHED BUSINESS

Chairman Schlatter called for any questions or any unfinished business to be presented. There were no questions and no further business presented for consideration. Finally, Paxton-Buckley-Loda School District and its employees who helped with the meeting were again recognized and thanked.

ADJOURNMENT

There being no further business to come before the meeting, upon a motion duly made by Jon Goembel, seconded by Robert Apperson and unanimously approved, the meeting was adjourned at 7:40 p.m.



EASTERN ILLINI ELECTRIC COOPERATIVE



MEMBER DRIVEN AND COMMUNITY FOCUSED

