



Eastern Illini
Electric
Cooperative

Building trust through transparency



2013 Annual Meeting Program | Annual Report

Thursday, June 13, 2013
Paxton-Buckley-Loda Junior/Senior High School

A Touchstone Energy® Cooperative 

Schedule of Events

3 – 7 p.m. **Annual Meeting Registration** - \$25 bill credit

Activities and Events

Gene Trimble Band
Inflatable activities
Energy Wise exhibits

Bucket truck demonstrations
Miniature golf
Oscar the Talking Robot

4 – 7 p.m. **Dinner** - catered by Niemerg's Catering (snacks will also be available)

Seminars - (see the complete seminar schedule on the next page)

7 p.m. **Business Meeting**

Call to Order
National Anthem
Pledge of Allegiance
Invocation
Quorum determination
Notice and proof of mailing
2012 meeting minutes (with approval)
Treasurer's Report (with approval)
Executive Report
Director election
Questions from floor
Unfinished business
New business
Adjournment

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COVER PHOTO

Eastern Illini Electric Cooperative's 57 employees are dedicated to providing you with safe and reliable electric service. There are actually fewer employees at the cooperative now than there was in 1997.



Seminar Schedule

Room 604 - Energy Wise Living

- 4 p.m. Comfort, Moisture and Energy Efficiency Solutions
Brian Kumer, Thermal Imaging Systems
- 4:45 p.m. Gaining Comfort and Savings with Insulation
Sam Stoller, Illiana Insulation
- 5:30 p.m. Comfort, Moisture and Energy Efficiency Solutions
Brian Kumer, Thermal Imaging Systems
- 6:15 p.m. Gaining Comfort and Savings with Insulation
Sam Stoller, Illiana Insulation

Room 606 - Renewable Energy Options

- 4 p.m. Renewable Energy from the Ground Up
Jeff Hurst, Connor Supply
- 4:45 p.m. Wind and Solar Solutions
Brian Barnick, Central Illinois Wind and Solar
- 5:30 p.m. Renewable Energy from the Ground Up
Jeff Hurst, Connor Supply
- 6:15 p.m. Wind and Solar Solutions
Brian Barnick, Central Illinois Wind and Solar

Room 608 - Lifestyle

- 4 p.m. Contagious Plant Containers
Mary Dickinson, University of Illinois Master Gardener
- 4:45 p.m. Drug Awareness and Prevention
Mark Doran, Ford County Sheriff
- 5:30 p.m. The Right Plants for the Right Place
Mary Dickinson, University of Illinois Master Gardener
- 6:15 p.m. Drug Awareness and Prevention
Mark Doran, Ford County Sheriff

Room 610 - The Emerging Electricity Environment

- 4, 5 & 6 p.m. Unbundled Bills and our 2013 Rate Adjustment
Bob Dickey, Eastern Illini Electric Cooperative

Executive Report

On behalf of Eastern Illini's Board of Directors and employees, we would like to welcome you to the 2013 Annual Meeting of Members!

Financial Goals

Even though sales were down in 2012 (due to the extremely mild temperatures for most of the year) we were able to meet all of our financial goals. The main reason for that is we received some significant credits from our wholesale power provider, Prairie Power, Inc. (PPI) because their expenses were lower than they had budgeted. In fact, our financial condition is solid enough that our creditors are happy and we've been able to achieve the maximum interest rate discounts on all of our loans.

Unbundling of Bills

In an effort to be more transparent in how and why we charge what we do, we recently "unbundled" your electric bill. Now the distribution charges are listed separately from the electric supply charges which allows us to show the energy charge as a separate item. Your reaction to the new bill format has been quite positive so far.

Many of you have erroneously received notices from Alternate Retail Energy Suppliers (ARES). These ARES can only offer the energy portion of electric bills to customers of investor owned utilities. While they can't offer their services to you, we wanted you to know that the actual energy portion is just one component of your electric bill, and ours is actually lower than the ARES offerings that we have seen.

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Rate Adjustments

Based on the results of a recent cost of service study, we have slightly adjusted our electric rates. The main reasons for the rate adjustment were to better align our fixed costs with our base charge and to make sure that no rate classes were subsidizing other rate classes.

Power Supply

Our main source of power comes from the Prairie State Generating Plant in Washington County, Illinois. The plant is operating at full capacity and provides just over 60 percent of our electricity needs.

PPI is continually looking for additional pieces for our power supply portfolio. One possible addition under consideration is a natural gas power plant. Even though natural gas prices are creeping up, the plant could be a viable option for us and would introduce more diversity in the types of energy used to produce our power.

All of our power supply decisions are based on securing long-term electricity for you, at the best possible pricing. While short-term pricing can fluctuate dramatically, we believe a long-term approach is the wisest way to offer you rate stability for the next 50 years.

Margins and Capital Credits

At the end of each year we look at how much money we spent on providing you with electric service compared to how much we collected. In our cooperative business model the difference is called margins.

Each year we spend millions of dollars on maintaining our local electric system so we can continue to provide you with safe and reliable electricity. We use some of those margins to pay for the maintenance so we don't have to take out so much in loans. When our financial condition allows it, we also pay some of those margins back to you, our member/owners, in the form of capital credits.

In 2012, we retired almost \$1.7 million in capital credits. Of that retirement, we were able to locate and mail out checks worth about \$1 million to member/owners that received electricity from us between 1974-1978. Paying member/owners back for their previous investments in the cooperative is one of the great benefits of being not only a customer, but also a member/owner of a local, not-for-profit cooperative.

Moving forward, our goal is to get to a 25-year payback cycle for capital credits. Basically that means that once you have been a member/owner for 25 years, you can expect to get money paid back to you based on how much electricity you have previously used.

CEO Transition

After serving Eastern Illini member/owners for 40 years (the last 30 years as President/CEO), Dave Champion has announced his retirement from the cooperative, effective at the end of this year. A nationwide search for a highly qualified person to fill the position has been put in place by your Board of Directors. The new President/CEO will be announced in late November.

While Dave will be sorely missed, his tremendous dedication to all of the member/owners and employees of Eastern Illini should be applauded. His retirement is much deserved.

Thank you for giving us the opportunity to serve you.

We hope you enjoy all of today's activities.



*Marion Chesnut
Chairman of the Board*

*Dave Champion
President/CEO*



EIEC Board of Directors



Harold Loy
District 1
Beaverville
21 years of service



Tom Schlatter
Vice Chairman
District 2
Chatsworth
7 years of service



Steve Meenen
Assistant Secretary
District 3
Melvin
7 years of service



Bruce Ristow
District 4
Cissna Park
7 years of service



Marion Chesnut
Board Chairman
District 5
Rossville
28 years of service



Brad Ludwig
Secretary/Treasurer
District 6
Fithian
28 years of service



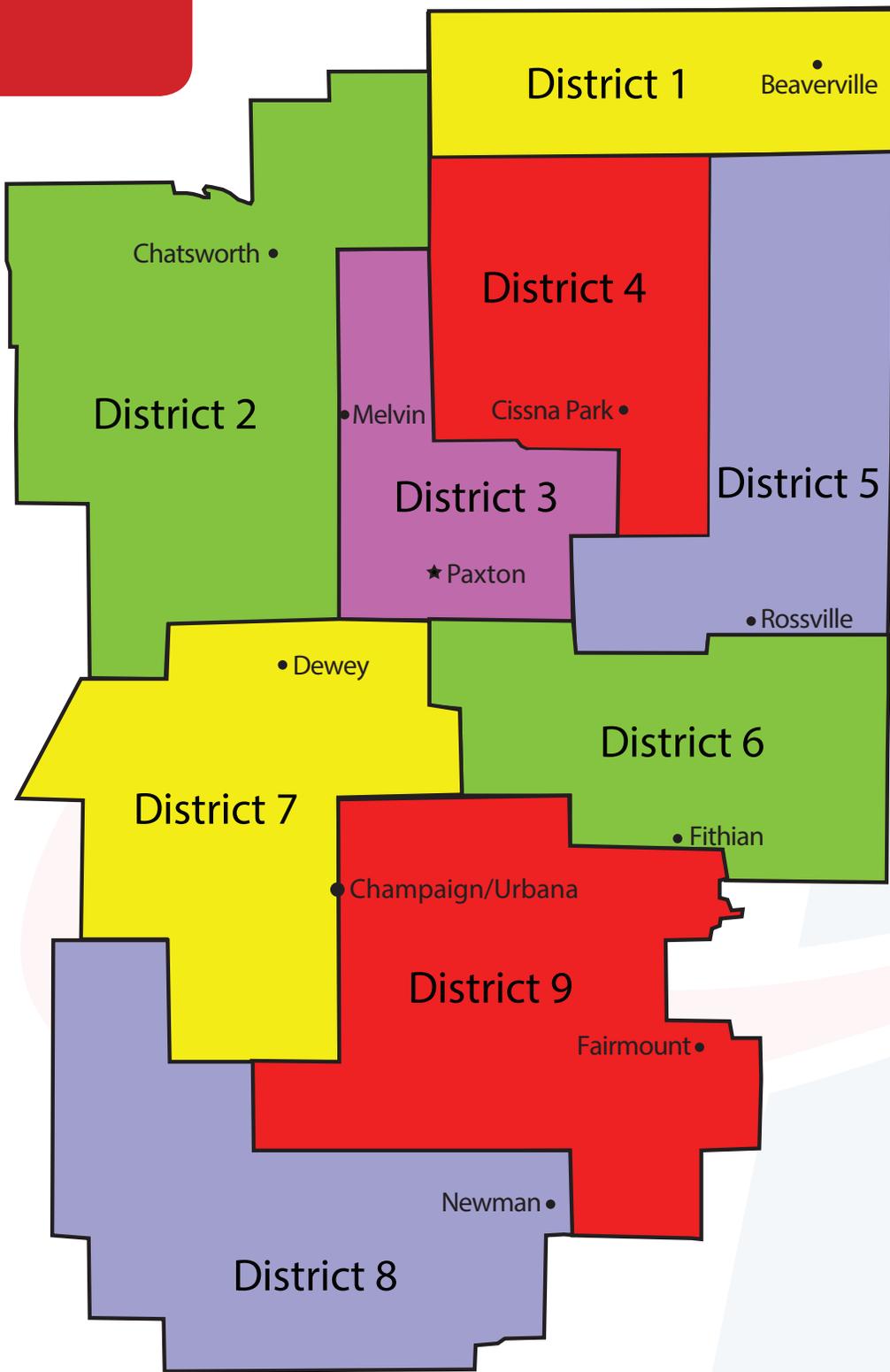
Kay Horsch
District 7
Dewey
12 years of service



Herb Aden
District 8
Newman
34 years of service



Jay Hageman
District 9
Fairmount
14 years of service



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Director Election

Directorate District 1 Candidate Harold Loy



Harold Loy has served on the Eastern Illini Electric Cooperative Board since 1992. Loy received the National Rural Electric Cooperative Association (NRECA) Professional Directors Certificate in 1998 and became an NRECA Credentialed Cooperative Director in 1999. He received the NRECA Board Leadership Certificate in 2009.

Directorate District 7 Candidate Kay Horsch



Kay Horsch was elected as a director to the board of Eastern Illini Electric Cooperative in March 2001. Horsch received the National Rural Electric Cooperative Association (NRECA) Credentialed Cooperative Director Certificate in 2001, and she received the NRECA Board Leadership Certificate in 2005.

Directorate District 8 Candidate Herb Aden



Herbert Aden was elected as a director of Illini Electric Cooperative in 1979 and has served on the Eastern Illini Electric Cooperative board since consolidation. He received the Professional Directors Certification from the National Rural Electric Cooperative Association (NRECA) in 1991 and the NRECA Credentialed Certification in 1999. He received the NRECA Board Leadership Certificate in 2011.

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Eastern Illini Electric Cooperative's Board of Directors is made up of co-op member/owners - just like you. They are tasked with setting the policies and guidelines that Eastern Illini's management team then carries out. The board meets at least once per month at the cooperative's headquarters in Paxton.

2012 Meeting Minutes

Minutes of Eastern Illini's Twenty-Fifth Annual Meeting of Members, June 14, 2012

The Twenty-Fifth 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 14, 2012, at 7 p.m. The meeting was called to order by the Chairman of the Board, Marion Chesnut, who presided and acted as Chairman. Secretary of the Board, Bradley J. Ludwig, acted as Secretary of the meeting and kept the minutes, thereof.

CALL TO ORDER

The Chairman announced that there were 1,131 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.

NATIONAL ANTHEM, PLEDGE OF ALLEGIANCE AND INVOCATION

Eastern Illini Electric Cooperative employee Brian Ronna led the membership in the National Anthem. Jerod Clark, of the Boys Scouts, led the membership in the recitation of the Pledge of Allegiance. Director Bradley J. Ludwig delivered the invocation and noted that this date is Flag Day. He then spoke of the history of the flag of the United States of America and how President Woodrow Wilson proclaimed the first Flag Day in 1916.

INTRODUCTION OF GUESTS

Director Steve Meenen introduced representatives of Prairie Power, Inc. (PPI), the Association of Illinois Electric Cooperatives and National Information Solutions Cooperative, as well as retired directors and employees. Public officials in attendance were State Representative Jason Barickman, State Representative Josh Harms, State Senator Michael Frerichs along with his daughter, and Justin Galindos, aid to United States Senator Dick Durbin.

READING OF NOTICE OF MEETING AND PROOF OF MAILING

Secretary Bradley J. Ludwig read 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 – 2011 ANNUAL MEETING

The minutes of the Twenty-Fourth Annual Meeting of Members held June 9, 2011, as printed in the 2012 Annual Meeting Program/Annual Report and distributed to all members, were presented for consideration. Member/owner Charmaine Grant made a motion that the rules be suspended, that the reading of the minutes of the Annual Meeting held June 9, 2011, be waived, and that the minutes be approved as presented in the official Annual Report of this meeting. Her motion was duly seconded by a member/owner and unanimously approved.

REPORT OF TREASURER

Chairman Marion Chesnut 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 set forth therein. A financial summary was also incorporated in the Notice of the meeting and is 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, 2011, and December 31, 2010, respectively, consolidated statements of revenues and expenses of the Cooperative and its subsidiaries for those two years, as well as other information.

The balance sheet reflected the following information for 2011:

Net Utility Plant	\$53,446,542
Total Assets	\$76,522,334
Long Term Debt	\$40,543,549
Total Members' Equity and Liabilities	\$76,522,334

Thereafter, the financial reporting period was concluded and Chairman Chesnut entertained a motion to accept the Treasurer's Report. A motion to accept the Treasurer's Report was made by member/owner Jay Hageman. The motion was seconded by member/owner Robert Weston and was unanimously approved.

EXECUTIVE REPORT

Chairman Chesnut and President/CEO Champion indicated that the condition of the Cooperative for the prior year was noted in a written Executive Report included as part of the official Annual Report of the Meeting. In addition, that report was mailed to all members. It was indicated that those executives would respond to questions from the floor after the conclusion of further meeting business.

ELECTION OF DIRECTORS

Chairman Chesnut announced that the next item of business would be the election of Directors and called upon Attorney Guy Hall to conduct that election. Mr. Hall announced that all the candidates were shown on the program and thanked all those who participated and voted. He noted that three candidates had been serving the Cooperative as incumbents and seek reelection. Their positions were not contested and the Credentials Committee found them to meet the qualifications for election. A brief summary of the candidates' experience was included in the program. Mr. Hall noted that since there were no nominees other than those reviewed and approved by the Credentials Committee, the membership could waive the written ballot and elect the nominees who had filed petitions pursuant to Section 2.5 of the bylaws of the Cooperative. Mr. Hall then entertained a motion to waive the written ballot and elect the nominees approved by the Credentials Committee. Thereafter, there was a motion by member/owner Charmaine Grant, which was duly seconded by member/owner Joshua Ehmen to waive the written ballot and elect the nominees, Steven Meenen, Bruce Ristow and Bradley J. Ludwig. The motion was carried by a voice vote, and the nominees were duly elected by unanimous vote of the membership.

QUESTIONS FROM THE FLOOR

Chairman Chesnut and President/CEO Champion entertained questions from the floor regarding the operations of the Cooperative. One of the issues addressed was the wholesale power cost adjustment. It was noted that under the wholesale power contract, the Cooperative does still pass along the variable portion of kWh energy sales. Part of the bill includes the fixed costs for generation. It was noted that variable costs have been fairly consistent, but that sales at this time are behind 2011. There was commentary about the impact of wind farms. PPI has entered into long term purchase contracts at favorable costs. The Cooperative is holding the line on costs while also including renewable energy sources in its portfolio. There was then discussion regarding Alternative Retail Energy Suppliers (ARES). It was noted that the rates charged by ARES relate only to the energy cost portion of a consumer's bill, but there are other costs associated with the transmission and delivery of electric service. Related discussion centered on generation capacity and the fact that wind generation is not available consistently enough to be relied upon as a permanent and complete source of energy supply. There were no questions submitted in the question box provided to members for that purpose.

UNFINISHED BUSINESS

Chairman Chesnut called for any additional and unfinished business to be presented. There was no unfinished business presented.

NEW BUSINESS

Chairman Chesnut called for any new business to be presented. There was no new business presented.

ADJOURNMENT

There being no further business to come before the meeting, upon a motion duly made by member/owner Roger Harris and seconded by member/owner Ron Lantz and unanimously approved, the meeting was adjourned at 7:40 p.m.

Financial Summary

This financial information represents Eastern Illini's operations for the fiscal years ended December 31, 2012 and 2011. These reports were taken directly from the Cooperative's books and records which have been audited by the firm of Olsen Thielen & Co., LTD. The American Institute of Certified Public Accountants sets the standards and scope of the audit.

Operating Statistics

	2012	2011
Total kWh purchased	246,898,274	256,179,475
Total kWh sold	225,651,460	235,757,034
Average number of members	13,686	13,706
Average monthly kWh use	1,374	1,433
Average revenue per kWh sold	\$0.141	\$0.137
Average cost per kWh purchased	\$0.077	\$0.075

Revenue and Expenses

	2012	2011
Total operating revenue	\$31,860,308	\$32,387,847
Operating Expenses		
Cost of power	\$18,891,386	\$19,143,715
Operations and maintenance	3,071,676	3,362,324
Consumer accounts	646,329	630,225
Customer service and information	703,473	722,048
Administrative and general	2,154,109	1,990,369
Depreciation	2,705,043	2,624,310
Interest expense	2,111,682	2,216,703
Other deductions	49,181	47,261
Total Operating Expense	\$30,332,879	\$30,736,955
Operating margins (loss)	1,527,429	1,650,892
Non-operating margins (loss)	1,401,462	1,494,596
Income or (loss) from investments	(118,439)	(580,143)
Net Margins for the Year	\$2,810,452	\$2,565,345

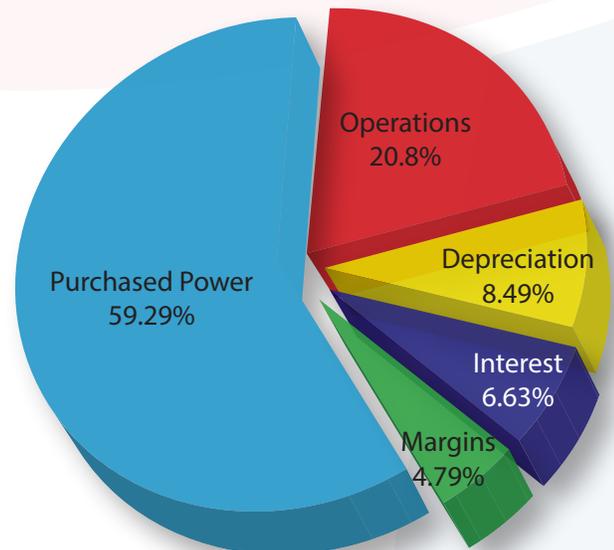
Balance Sheet

Assets	2012	2011
Cost of electric plant	\$89,484,087	\$86,939,613
Less: accumulated depreciation	34,896,586	33,493,071
Net Utility Plant	\$54,587,501	\$53,446,542
Cash - general	\$274,289	\$143,016
Investments	16,272,410	18,180,107
Accounts receivables, net	3,275,624	3,307,145
Materials and supplies	657,093	702,014
Prepaid and other current assets	843,799	743,510
Total Assets	\$75,910,716	\$76,522,334

Members' Equity and Liabilities

Membership fees & other equities	\$1,158,793	\$129,489
Patronage capital	28,359,153	28,675,266
Operating margins	1,527,429	1,650,891
Non-operating margins	(897,627)	(2,180,650)
Long-term debt to CFC	37,754,353	40,543,549
Accounts payables	2,953,819	2,773,518
Deposits & prepayments	530,835	534,600
Other non-current liabilities	4,523,961	4,395,671
Total Members' Equity & Liabilities	\$75,910,716	\$76,522,334

2012 Expenses



Eastern Illini Services Corporation

	2012	2011
Operating revenues	\$38,246	\$39,438
Operating expenses	49,943	15,893
Net Operating Income	\$(11,697)	\$23,545
Income or (loss) from equity investments	\$(122,790)	\$(377,729)
Other	16,048	6,878
Income or (loss) from discontinued operations	0	(232,835)
Net Income (Loss)	\$(118,439)	\$(580,141)

Your Account

Flexible Payment Options

Eastern Illini offers several convenient payment and billing options, including: cash or check in the office; online payments via SmartHub; Walmart Money Centers; automatic bank account drafts; and automatic credit/debit card payments.

SmartHub

With SmartHub, the power of data is in your hands with convenient account management, detailed bill and kWh use information, and simple bill payment features. SmartHub is available online and as FREE apps for both iOS and Android smartphones and tablets.

Budget Billing

The budget billing plan is designed to keep your monthly costs consistent, so you pay the same amount each month.

PrePaid Advantage Program

You control how much you pay, and when you pay it with our PrePaid Advantage Program. Plus, you can avoid large deposits with this program.

Energy Assistance

For some households, utility costs can place stress on the family budget. The Low Income Home Energy Assistance Program (LIHEAP) is designed to help eligible households pay for energy services.

Community Involvement

Youth/School Programs

The **Super Energy Saver** from Touchstone Energy features CFL Charlie. It is designed to teach children in grades K-5 about energy, electrical safety and energy savings.

Our **Electrical Safety Program** is best suited for grades 4-6 and offers students an interactive look at electricity and how dangerous it can be if not respected.

Get Charged! This classroom kit offers teachers a complete curriculum with coordinated tools designed to energize their electricity unit. It is best suited for junior high grades.

All of our youth programs are offered at no cost!

Scholarship Programs

The **Youth to Washington Scholarship** contest awards two \$1,000 college scholarships and expenses-paid trips to our nation's capital each year to graduating seniors. The **IEC Memorial Scholarship** compliments the Youth to Washington Scholarship and is open to children of Illinois electric cooperative families.

Community Speaking Engagements

Representatives from Eastern Illini are more than happy to speak at any community events. Topics include energy efficiency, electrical safety, renewable energy and more.

Member/owner Resources

Membership Benefits

Co-op Connections Card Program

All Eastern Illini member/owners are automatically part of this free program that offers **discounts at over 100 local business** and national online retailers. In addition, you can receive **discounts on prescription drugs** and other medical related services.



Capital Credits

Since we are a cooperative, we are owned by you - the member/owners we serve. Each year, based on our financial condition and the amount of electricity you've used, we allocate margins (excess of income over expenses) back to you. Then, when it won't jeopardize our overall financial condition, we return a portion of that allocation back to you as a capital credit payment.

Home Energy Evaluations

Our certified energy advisors are available to help you with all of your energy-related questions or concerns. They will visit with you at your home to answer your questions. Their basic services are all offered at no charge. There is a nominal fee for some of the advanced services.

Monthly Publications

As a member/owner of Eastern Illini, you will receive a complimentary subscription to the *Illinois Country Living* magazine. You will also receive our PowerLines newsletter which is included with your monthly electric bill.

Powerful Solutions on Your Schedule

We all lead busy lives. In addition to viewing and paying your bill online, our website, www.eiec.coop, features money saving tips and energy efficiency ideas designed to help you live more comfortably. You can also find energy calculators, renewable energy information, and heating & cooling cost comparisons.



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