



Member Focused...Employee Driven



**Eastern Illini
Electric
Cooperative**

Your Touchstone Energy® Cooperative 

2017 Annual Meeting Program | Annual Report

**Thursday, June 8, 2017
Paxton-Buckley-Loda Junior/Senior High School**

Schedule of Events

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

Activities and Events

Marvin Lee Band	Antique truck display
Bounce house	Inflatable obstacle course
Engaging seminars	Miniature golf
Petting zoo	Bucket truck demonstrations

4 – 7 p.m. **Dinner** - catered by Niemerg's Catering
(You can also enjoy snacks and ice cream in the courtyard.)

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
2016 meeting minutes (with approval).... page 4
Treasurer's Report (with approval)..... page 6
Executive Report..... page 8
Director election..... page 11
Questions from floor
Unfinished business
New business
Adjournment
Door Prizes

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COVER PHOTO

Eastern Illini Electric Cooperative's 56 employees are dedicated to providing you with safe and reliable electric service.

Seminar Schedule

Each seminar session will be offered at 4 p.m., 5 p.m., and 6 p.m.

Room 604 - From Pumpkins to Seeds

At the Great Pumpkin Patch in rural Arthur, Illinois, Mac Condill helps lead a team that takes great interest in providing beautiful surroundings in which to educate their guests about the Cucurbit family. Hear from Mac as he shares the story of their 300 varieties of pumpkins, squash and gourds from over 30 countries around the world!

Room 605 - Hats for any Occasion

Pat Milchuck, of Simply Pat's Hats in Paxton, Illinois, has always had a passion for millinery. She harnesses that passion with her special approach to every hat she makes. Each hat is unique. Every design is distinctive. And each hat tells its own story. Pat's hats are worn at the Kentucky Derby and around the world!



Room 608 - Modern Quilting

Donna Lee, Modern Quilter & cofounder of Bloomington-Normal Modern Quilt Guild, will give a trunk show of modern quilts and explain the difference between modern and traditional quilts. See bright colors and original designs in her presentation!



Room 609 - Tree Trimming & Chainsaw Safety, Tips & Tricks

Have you ever been frustrated while working with your chainsaw? Don Gerdes, Eastern Illini Electric Cooperative's Right-of-Way Specialist and resident chainsaw expert, will offer safety tips and other tidbits to help you take control of your saw, and trim your trees the right way!

Room 610 - Q&A with the President/CEO

Here's your chance to chat with the boss! Bob Hunzinger, Eastern Illini Electric Cooperative's President/CEO, will be available to answer your questions. You'll also be able to view some exhibits to learn more about the cooperative, and find easy ways to lower your energy bills.

2016 Meeting Minutes

Minutes of Eastern Illini's Twenty-ninth Annual Meeting of Members, June 9, 2016

The Twenty-Ninth 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 9, 2016

and called to order at 4:00 p.m.; then recessed, with the business portion of the meeting convened at 7:00 p.m.

CALL TO ORDER

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, PLEDGE OF ALLEGIANCE, & INVOCATION

Brian Ronna led the membership in the National Anthem. Herbert L. Aden led the membership in the recitation of the Pledge of Allegiance. Kay Horsch delivered the invocation.

RECOGNITION OF OUTGOING DIRECTORS

Chairman Schlatter then recognized outgoing Directors Herbert L. Aden and Kay Horsch for their many years of dedicated service to Eastern Illini Electric Cooperative, Inc. Director Aden served as a director of both Illini Electric Cooperative and its successor Eastern Illini Electric Cooperative, Inc. for more than thirty-six (36) years. Director Kay Horsch served as a director of Eastern Illini Electric Cooperative, Inc. for fifteen (15) years. Both Directors were applauded for their efforts.

QUORUM DETERMINATION

The Chairman announced that the registration staff had informed him that there were 1,006 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 Hageman introduced the current Cooperative board of directors, retired directors, employees and representatives of the Association of Illinois Electric Cooperatives as well as employees from Prairie Power, Inc., the Cooperative's generation and transmission cooperative.

ELECTED OFFICIALS

Director Hageman then recognized State Treasurer Michael Frerichs, who gave a brief speech, as well as State Representative Thomas Bennett, who also spoke. Patrick Doggett, aide to Congressman Adam Kinzinger, was recognized as in attendance earlier in the day but not at the business meeting.

READING OF NOTICE OF MEETING & 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 – 2015 ANNUAL MEETING

The minutes of the Twenty-Eighth Annual Meeting of Members held June 11, 2015, as printed in the 2016 Annual Report/Annual Meeting program 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 11, 2015 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 Jon Goembel 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, 2013, December 31, 2014, and December 31, 2015, respectively, consolidated statements of revenues and expenses of the Cooperative and its subsidiaries for those years, as well as other information.

The balance sheet reflected the following information for 2015:

Net Utility Plant	\$58,596,304
Total Assets	\$81,347,090
Long Term Debt	\$36,576,918
Total Members' Equity & Liabilities	\$81,347,090

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 Glenn Anderson. There being no objection to the motion and upon a unanimous vote, the motion was approved.

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EXECUTIVE REPORT

Chairman Schlatter 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 member/owners. It was indicated that those executives would respond to questions from the floor after the conclusion of further meeting business.

ELECTION OF DIRECTORS

Chairman Schlatter 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 identified in the Annual Report and thanked all those who participated and voted. He specifically thanked employees Deb Laird and Michelle Brokate for their efforts on behalf of the Cooperative. He indicated that three candidates sought election. One candidate is incumbent Director Harold Loy. The other two are Chad Larimore and Steve Gordon. Their positions were not contested and the Credentials Committee found all of them to meet the qualifications for election. A brief summary of the candidates' experience was included in the report. 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 motion by member/owner Robert Apperson, which was duly seconded by member/owner Dennis Wenger to waive the written ballot and elect the nominees, Harold Loy, Chad Larimore and Steve Gordon. The motion was carried by a voice vote, and the nominees were duly elected by unanimous vote of the membership.

APPROVAL OF BYLAW AMENDMENTS

Mr. Hall then addressed the decision of the membership regarding the proposed Cooperative bylaw amendments which were sent to the membership and also printed in their entirety in the 2016 Annual Meeting Official Notice and Annual Report. Mr. Hall announced that voting was completed and the ballots had been counted. The bylaw amendments were approved by the membership by a vote of three hundred sixty-two (362) in favor and twenty-three (23) opposed.

PRESIDENT/CEO COMMENTS AND QUESTIONS FROM THE FLOOR

President/CEO Robert Hunzinger thanked and recognized the Cooperative employees and the member/owners for their attendance and participation in the annual meeting. He went on to recognize Dan Breden who is the current CEO of Prairie Power, Inc. (PPI). He also recognized the efforts of the event caterer, Niemerg's. He noted that there were in excess of one thousand (1,000) member/owners present at the meeting.

Mr. Hunzinger recognized the new directors who were elected, Chad Larimore and Steve Gordon, as well as incumbent Director Harold Loy, and noted the approval of the bylaws. In connection with that item, he reminded the membership that one of the important aspects of the Cooperative is the element of democratic control and participation, demonstrated by the director election and bylaw amendment process. Mr. Hunzinger also highlighted the importance to the Cooperative directors and management of the safety of employees and the public.

Financially, he noted that it was a strong year for the Cooperative with an approximate operating margin of one million four hundred thousand dollars (\$1,400,000). In addition, there was a capital credit retirement of approximately one million five hundred thousand dollars (\$1,500,000).

On a broader front, he noted that the Cooperative is watching the process involving the Clean Power Plan (CPP), and there is currently litigation regarding it pending in the United States D.C. Circuit Court of Appeals. With regard to subsidiaries, Mr. Hunzinger noted the Cooperative's partial ownership interest in Conxxus and what has transpired with the transfer of its assets to Metro Communications in January 2016.

Mr. Hunzinger also noted that the Cooperative continues to work to improve service and reliability, including system replacement and upgrades. In this regard, he informed the membership of three (3) new substations in St. Joseph, Loda and Tolono. With regard to the issue of future rates, Mr. Hunzinger indicated that he expects rates to be stable in the near future and that any adjustments will be made through the power cost adjustment process.

Mr. Hunzinger then invited Mr. Breden of PPI to briefly speak to the membership regarding the status of power plants in the State of Illinois, and in particular the current activities of Exelon and Dynegy. Association of Illinois Electric Cooperatives (AIEC) President Duane Noland then spoke briefly about the Association.

During the question and answer period, one (1) member/owner, Ted Hartke, mentioned his experience and concerns regarding the installation and location of wind turbines near residential properties.

Chairman Schlatter and President/CEO Hunzinger then entertained additional questions from the floor. There were no further questions.

UNFINISHED BUSINESS AND NEW BUSINESS

Chairman Schlatter called for any additional and unfinished business to be presented. There was no further business presented for consideration.

ADJOURNMENT

There being no further business to come before the meeting, upon a motion duly made by Jon Goembel, seconded by Kay Horsch and unanimously approved, the meeting was adjourned at 7:50 p.m.

Treasurer's Report

This financial information represents Eastern Illini's operations for the fiscal years ended December 31, 2016, 2015 and 2014. 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.

Balance Sheet

Assets	2016	2015	2014
Cost of electric plant	\$102,426,069	\$98,592,187	\$94,209,393
Less: accumulated depreciation	41,892,375	39,995,883	38,556,515
Net Utility Plant	\$60,533,694	\$58,596,304	\$55,652,878
Cash - general	\$601,479	\$582,648	\$346,522
Investments	18,265,490	18,396,789	18,449,797
Accounts receivables, net	2,541,860	2,281,731	2,526,729
Materials and supplies	605,829	710,208	595,383
Prepaid and other current assets	811,008	779,410	747,158
Total Assets	\$83,359,360	\$81,347,090	\$78,318,467
Members' Equity and Liabilities			
Membership fees & other equities	\$3,245,137	\$3,051,516	\$2,552,716
Patronage capital	29,128,966	27,957,019	28,165,946
Operating margins	1,406,670	1,443,814	1,406,857
Non-operating margins	4,415,272	4,303,343	2,807,309
Long-term debt	35,069,651	36,576,918	35,295,434
Accounts payable	3,367,918	3,058,952	3,251,109
Notes Payable - Line of Credit	1,408,151	-	-
Deposits & prepayments	471,660	478,850	502,440
Other non-current liabilities	4,845,935	4,476,678	4,336,656
Total Members' Equity & Liabilities	\$83,359,360	\$81,347,090	\$78,318,467

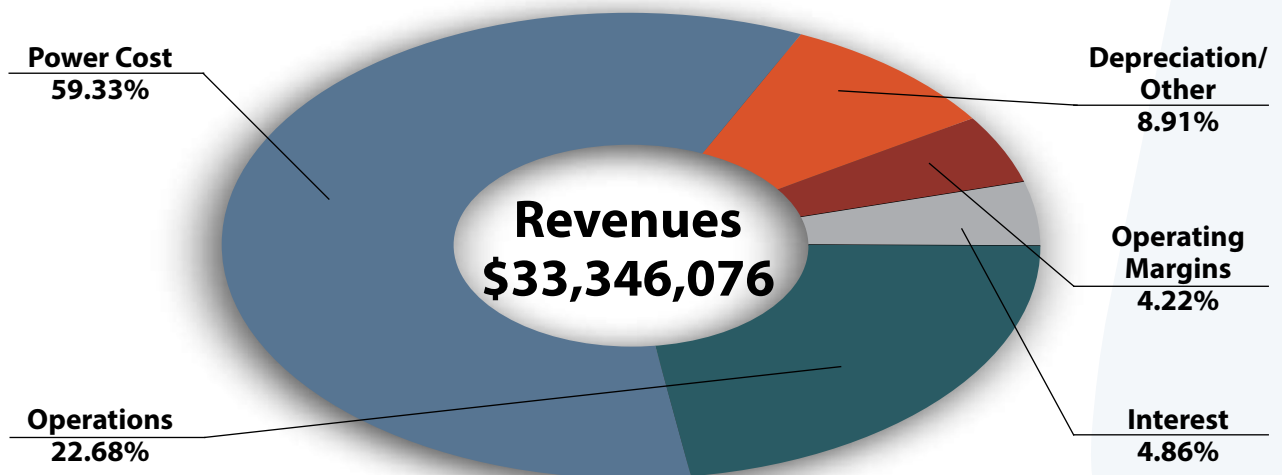
Revenue and Expenses

	2016	2015	2014
Total operating revenue	\$33,346,076	\$33,800,521	\$34,963,250
Operating Expenses			
Cost of power	\$19,784,606	\$20,362,091	\$21,794,595
Operations and maintenance	4,110,107	3,980,108	3,804,814
Consumer accounts	663,382	680,488	689,395
Customer service and information	659,956	651,192	644,626
Administrative and general	2,059,694	2,010,440	1,973,859
Depreciation	2,969,286	2,885,270	2,830,730
Interest expense	1,621,685	1,727,027	1,754,626
Other deductions	70,690	60,090	63,748
Total Operating Expense	\$31,939,406	\$32,356,706	\$33,556,393
Operating margins	1,406,670	1,443,815	1,406,857
Non-operating margins	1,588,603	1,514,531	1,693,153
Income or (loss) from investments	19,359	(18,497)	(29,120)
Net Margins for the Year	\$3,014,632	\$2,939,849	\$3,070,890

Operating Statistics

	2016	2015	2014
Total kWh purchased	259,085,868	255,342,023	268,777,930
Total kWh sold	238,870,083	234,948,109	247,462,085
Average number of accounts	13,501	13,510	13,545
Average monthly kWh use	1,474	1,449	1,522
Average revenue per kWh sold	\$0.1396	\$0.144	\$0.141
Average cost per kWh purchased	\$0.076	\$0.080	\$0.081

How your electric dollar was spent in 2016.



Antique Truck Restoration



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Antique Truck Restoration

This digger truck was originally acquired by the co-op in 1950, and it remained in service until the late 1970's.

It was then sold and remained in a private collection until about three years ago when retiring co-op CEO Dave Champion purchased it and donated to the cooperative.

Since then, Eastern Illini employees have worked to restore the truck to its original splendor.

Pictured above are retirees Kenny Essman, Howard Schweighart, Gene Goldsby, Evan Peterson, and Don Brinegar. The group used the truck when it was originally in service, and were invited back to see it when the truck was fully restored.

Please check out the restored digger truck during the annual meeting!



Executive Report

On behalf of Eastern Illini's Board of Directors and employees, we would like to welcome you to the 2017 Annual Meeting of Members!

In 2017, EIEC, as a member-owned cooperative, is recognizing its 30th year since consolidation, and the 80th year since the founding of both of its forerunner cooperatives, Illini Electric and Eastern Illinois Power. This is an impressive history of improving the quality of life for you - our member/owners.

By forming cooperatives such as these, and providing service to areas where for-profit companies would not, cooperatives have forged a strong bond with their member/owners. We are proud of this heritage and work hard to continue the tradition of service that defines us as a cooperative organization.

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. We are proud to inform you that EIEC was recognized as one of only six cooperatives in Illinois to receive the Safety Leadership Award from our statewide cooperative organization in 2016. Please join us in ensuring you are taking action to remain safe in your daily activities.

Member Satisfaction

EIEC employees and Directors take pride in providing the service level our members deserve and expect. Each October, we survey each of you. 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, which tracks your overall view of EIEC numerically.

In 2016, our overall survey results were very good, and we received an ACSI score of 89 (out of 100)! This score places us in the top 10 percent of cooperatives across the nation. We are proud of the level of service that we provide you, but are constantly looking for ways to improve.

Financial Goals

2016 was a good financial year for your cooperative. Operating margins totaled slightly above \$1.4 million, with total operating revenues of \$33.3 million. These margins are in addition to a \$480,000 margin rebate paid to members for their December billing based on the prior 11-month pro rata usage. Equity for the year ended at 45.8 percent, which is slightly above our midpoint target. Our debt service coverage was above 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. This difference is similar to profit, but for a not-for-profit cooperative is referred to as operating margins. The margins try to balance internally generated operating cash with capital provided from long-term borrowings. These margins are then allocated as capital credits to be returned to our members at a future date. Our Board of Directors have set a goal of returning margins back to our member/owners on a 25-year cycle. We anticipate reaching this goal in 2020.

In 2016, we retired nearly \$1,623,000 in capital credits to member/owners who received service in 1985 and for half of 1986. For 2017, we are budgeting a retirement of just over \$1,603,000 in capital credits for half of 1986, 1987, and half of 1988.

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

EIEC has not had a general distribution rate adjustment since April 2013. There is no increase budgeted in our distribution rate for 2017. Our projections for the next few years look to be stable as well, barring catastrophic events. However, we do pass along any increased costs from PPI, as necessary, in the power cost adjustment portion of the billing. PPI costs reflect the capacity, energy, and transmission portions of electricity pricing delivered to the EIEC metering points.

Technology

EIEC completed our Global Positioning System (GPS) project in 2016 to identify locations of facilities in the field. This will allow our employees more accurate information vs. traditional mapping. The GPS system will also improve our outage mapping and storm response time. Field personnel continue to progress with utilizing iPads and computers daily.

Power Supply

About 60 percent of our power is provided by the Prairie State 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 available reliability of 99.98 percent (excluding major storms and transmission supply outages). Even with the inclusion of major storm events and transmission supplier outages, our 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.

New Substations

All three of our newest substations are now fully operational. They are located in the St. Joseph, Loda, and Tolono areas, and are the first new substations we've constructed since the early 1980s.

Pole Testing

In 2016, we completed our five-year pole testing program, which field-tested each of our 92,000 poles in service. During this period, EIEC personnel have installed nearly 6,000 new poles, over half as a replacement of older poles, with the remainder associated with new or rebuilt lines. The pole replacement program helps to improve reliability since we now have fewer pole failures during high wind or storm conditions.

Opportunities

Most of the recent additions in energy sales in our territory has been driven from existing member expansions of grain, livestock, and other agricultural related businesses. We continue to work with our member/owners to optimize the value they receive from electricity. Cooperatives are not just in the business of selling energy and providing reliability, but also in the business of improving the quality of life for our membership through the various services we offer.

Challenges

The 2016 Presidential election transition will likely have an impact on future actions by the Environmental Protection Agency (EPA), especially relating to the final regulatory rule governing carbon emissions of existing fossil based generation sources, commonly known as the Clean Power Plan. Recent changes in EPA leadership could also impact the timing of other air and water environmental issues that relate to power generation. As always, legal and regulatory battles are likely to delay any immediate or short-term impacts.

The Illinois legislature recently passed legislation that will dramatically increase the amount of renewable energy in the state, especially in the form of wind and solar. A large increase in member-owned solar and storage technology improvements could present challenges to our current business model and rate structure. The lack of an Illinois state budget has minimal direct impact on us, but the larger impact to the members of the rural areas that we serve is yet to be determined. Rural areas in general are experiencing a population decline and a lack of adequate job opportunities.

The electric utility industry is continually evolving and becoming more complicated. One of our challenges is to maintain our system and service to the standards that you expect and deserve. EIEC has an average system density of only three accounts per mile of line in service, with a total of nearly 4,500 miles of energized service lines. Our territory also includes a slightly declining membership base. There is only one co-op in the state of Illinois with a lower density.

We are in our 80th 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've enjoyed this brief recap of our 2016 performance. We take our opportunity to serve you very seriously!

Tom Schlatter, Board President

Bob Hunzinger, President/CEO

www.eiec.coop

Board of Directors



Harold Loy
District 1
Beaverville
25 years of service



**Tom Schlatter
Chairman**
District 2
Chatsworth
11 years of service



**Steve Meenen
Assistant Secretary**
District 3
Melvin
11 years of service



Bruce Ristow
District 4
Cissna Park
11 years of service



Kevin Moore
District 5
Rossville
3 years of service



**Brad Ludwig
Secretary/Treasurer**
District 6
Fithian
32 years of service



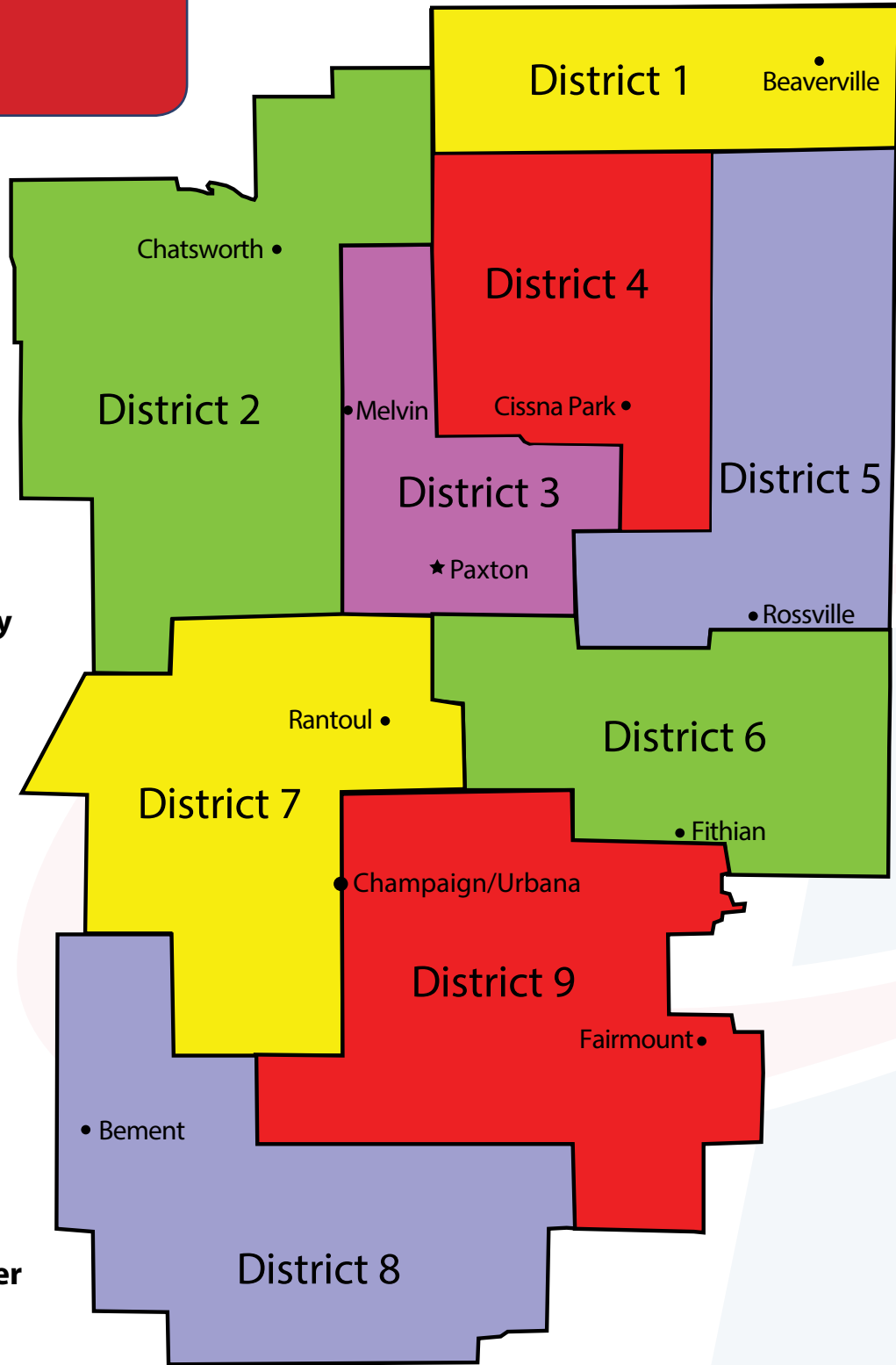
Steve Gordon
District 7
Rantoul
1 year of service



Chad Larimore
District 8
Bement
1 year of service



**Jay Hageman
Vice Chairman**
District 9
Fairmount
18 years of service



Director Election

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. Each year, three of the nine positions on the board are up for election. Board terms are for three years.

Directorate District 2 Candidate Tom Schlatter, Chatsworth



Tom Schlatter has served on the Eastern Illini Electric Cooperative Board of Directors since 2006. He has served as secretary of the board, vice chairman, and is currently the chairman of the board. Tom received the National Rural Electric Cooperative Association (NRECA) Credentialed Cooperative Director Certificate in 2006, the NRECA Board Leadership Certificate in 2013, and the NRECA Director Gold Credential Certificate in 2016.

Tom and his wife, Barbara, reside near Chatsworth in Livingston County where he operates a grain farm.

Directorate District 5 Candidate Kevin Moore, Hoopeston



Kevin Moore has served on the Eastern Illini Electric Cooperative Board of Directors since 2014. He received the NRECA Credentialed Cooperative Director Certificate in 2016. Kevin currently serves as Eastern Illini's alternate director on the Association of Illinois Electric Cooperatives Board of Directors.

Kevin and his wife, Kasey, reside near Hoopeston in Vermilion County where he operates a grain farm.

Directorate District 9 Candidate Jay Hageman, Fairmount



Jay Hageman was elected to the Illini Electric Cooperative Board in 1986. He then served on the Eastern Illini Electric Cooperative Board until 1989 and was re-elected to the Eastern Illini Electric Cooperative Board of Directors in 2002. Jay has served as secretary of the board, and is currently the vice chair. He received the NRECA Credentialed Cooperative Director Certificate in 2002, the NRECA Board Leadership Certificate in 2011, and the NRECA Director Gold Credential Certificate in 2016. Jay also serves as Eastern Illini's director on the Association of Illinois Electric Cooperatives Board of Directors.

Jay and his wife, Tracy, reside near Fairmount and farm in the corner of Douglas, Champaign, Vermilion and Edgar counties.



Eastern Illini Electric Cooperative

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