



Eastern Illini
Electric
Cooperative



Your local, member-owned
connection to powerful solutions.

2014 Annual Meeting Program | Annual Report

Thursday, June 12, 2014
Paxton-Buckley-Loda Junior/Senior High School

Schedule of events

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

Activities and Events

Gene Trimble Band
Inflatables
Kids' activities

Bucket truck demonstrations
Miniature golf
Oscar the Talking Robot

4 – 7 p.m. **Dinner** - by Niemerg's Catering (snacks will also be available 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
2013 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 56 employees are dedicated to providing you with safe and reliable electric service. Here, Don Gerdes, EIEC's forestry and right-of-way specialist, offers a bucket truck ride.

OTHER PHOTOS

The remaining photographs were taken during Eastern Illini's 2013 Annual Meeting of Members.



Seminar Schedule

Each seminar will be offered three times - at 4 p.m., 5 p.m., and 6 p.m.

Room 604

Gardens, Plants and Pots

Mary Dickinson, University of Illinois Master Gardener

Room 605

The Future of Renewable Energy in Illinois

Dr. David Loomis, Illinois State University Professor of Economics

Room 606

Greater Comfort....Lower Bills

Brian Kumer, President of Thermal Imaging Systems

Room 607

Geothermal....The First Choice in Heating & Cooling

Dave Buss, Certified Geexchange Designer

Room 608

Recipes: Behind the Scenes of the *Illinois Country Living* Magazine

Valerie Cheatham, Assistant Editor of *Illinois Country Living*

Room 609

Lighting: Everything You've Ever Wanted to Know

Steve Thrash, President of Service Concepts

Get more from the seminars

This year, each seminar topic will have their own room. Before, during, and after each of the sessions, you will have a chance to speak with the presenters and view their displays.

This will allow you to get your specific questions answered, and give you a chance to dig a bit deeper in to the topics.

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Executive Report

On behalf of Eastern Illini's Board of Directors and employees, we would like to welcome you to the 2014 Annual Meeting of Members!

Eastern Illini Electric Cooperative's (EIEC's) mission is "to provide premium-quality, economically-priced electricity and other related services to our member/owners and communities."

Note the focus on you, the member/owner, and the communities and areas in which we provide service. EIEC, as a member-owned cooperative, has a more than 75 year history of improving the quality of life for you - our member/owners.

We as consumers sometimes take electricity, and the conveniences it offers, for granted in this fast-paced, technologically driven world we live in. However, just a few generations ago, electricity to rural areas was a novelty. By forming cooperatives such as EIEC, 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.

Financial Goals

Electricity sales, and the associated revenues, were slightly above budget for the year. This was primarily due to higher than budgeted sales in the latter part of the year driven by grain drying load and a cold start to the winter season. This allowed us to meet our financial goals for the year.

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Operating margins totaled \$1.62 million on total operating revenues of \$33.3 million. Since the margins were a bit higher than we anticipated, we were able to provide you, our member/owners, with bill credits totaling \$500,000 in December. Equity for the year ended at 42.89 percent, which was slightly above our target value of 40 percent. That allowed us to maximize our interest rate discounts on our outstanding loans.

Technology

We've all seen advances in technology in recent years. Our industry is no exception. We now have an online outage map designed to give you a real-time idea of where - and how severe - outages are occurring. You can access the map by visiting our website at www.eiec.coop. We are also utilizing our Facebook page to provide you with interesting stories and timely updates.

You can view and pay your bill online or on your mobile device by utilizing SmartHub. Through SmartHub, you can also receive text messages and emails to alert you when your bill is ready to view.

Power Supply and Reliability

Our main source of power (approximately 65 percent) is provided by the Prairie State coal-fired power plant which is located in Washington County, IL. Our wholesale provider, Prairie Power, Inc. (PPI), owns 130 MW of this facility, along with various other natural gas fired generation units, and a portion of wind energy provided by the Pioneer Trail Wind Farm.

PPI also contracts for power supply in the Midcontinent Independent System Operator (MISO) market. Given the recent volatility of natural gas prices (and as many of you experienced first hand with propane prices) which impacted the electricity market pricing, PPI is continually balancing the decision of owning or contracting for future generation resources, in order to provide supply diversity.

These power supply decisions are based on securing long-term electricity for you at the best possible pricing. As recent natural gas market volatility resulted in short-term price fluctuations, we have charted a course for long-term price stability utilizing a diverse supply mix.

Our distribution system performed well this year, resulting in an available reliability of 99.98 percent for those situations within our control (excluding major storms and transmission supply outages). We continue to monitor and upgrade our system to maintain the high level of service you've come to expect.

Margins and Capital Credits

Each year, we review our revenue collected compared to our expenses in providing electric service to you. This difference is referred to as margins. The margins try to balance internally generated operating cash with capital provided from long term borrowings. Our Board of Directors have set a policy of returning operating margins back to our member/owners on a 25 year cycle.

In 2013, we were able to refund \$1,146,979 in capital credits to member/owners who received service from 1979 - 1981. This return of your equity is one of the unique benefits of membership in a local, not-for-profit cooperative.

CEO Transition

A huge thank you to Dave Champion, who retired at the end of 2013 after 40 years of service to EIEC. Dave was a strong advocate for member/owners and employees, and was highly respected in the industry. We wish Dave the best on his well-deserved retirement.

Challenges

The electric utility industry is continually evolving and becoming more complicated. One of our biggest challenges is to maintain our system and service to the standards that you expect. This is especially difficult since we have an average system density of only three accounts per mile of line we maintain. There is only one co-op in the state of Illinois with a lower density.

We have a good track record of success, and we appreciate the confidence that you have placed in us and our employees to represent your interests in operating our cooperative.

We hope you've enjoyed this recap, and that you enjoy all of today's activities.



*Marion Chesnut
Chairman of the Board*



*Bob Hunzinger
President/CEO*

Board of Directors



Harold Loy
District 1
Beaverville
22 years of service



Tom Schlatter
Vice Chairman
District 2
Chatsworth
8 years of service



Steve Meenen
Assistant Secretary
District 3
Melvin
8 years of service



Bruce Ristow
District 4
Cissna Park
8 years of service



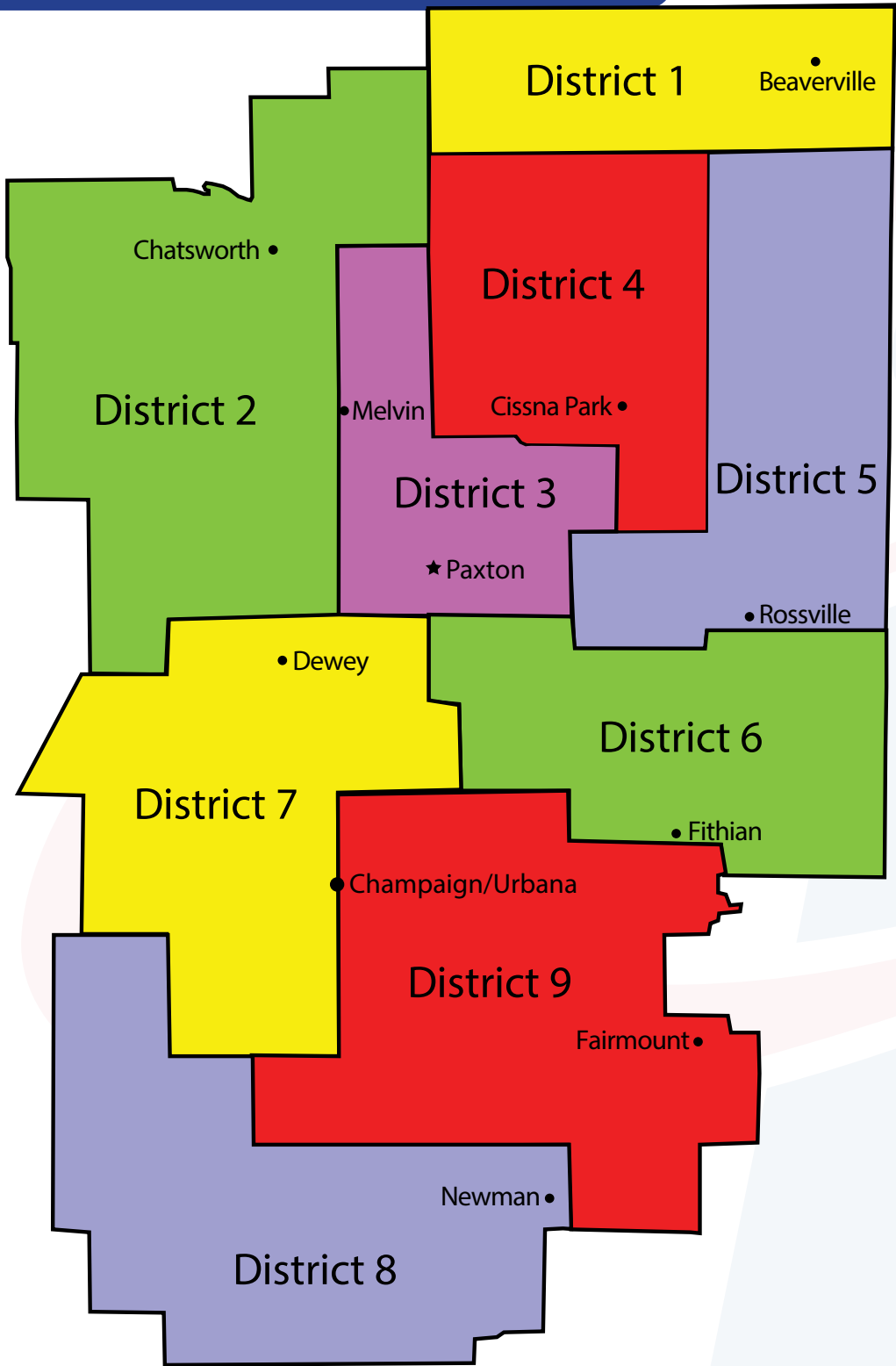
Marion Chesnut
Board Chairman
District 5
Rossville
29 years of service



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



Kay Horsch
District 7
Dewey
13 years of service



Herb Aden
District 8
Newman
35 years of service



Jay Hageman
District 9
Fairmount
15 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 spots on Eastern Illini's Board of Directors are up for election. Board terms are for three years. This year, the three incumbent directors with expiring terms are running unopposed.

Directorate District 2 Candidate Thomas Schlatter



Tom Schlatter has served on the Eastern Illini Electric Cooperative Board of Directors since 2006. He has served as secretary of the board, and he currently serves as vice chairman.

Tom received the National Rural Electric Cooperative Association (NRECA) Credentialed Cooperative Director Certificate in 2006 and the NRECA Board Leadership Certificate in 2013.

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

Directorate District 5 Candidate Marion Chesnut



Marion Chesnut was elected to the board of Eastern Illinois Power Cooperative in 1985 and has served on the board of Eastern Illini Electric Cooperative since consolidation in 1987. He currently serves as chairman of the board.

Marion has represented Eastern Illini on the Association of Illinois Electric Cooperatives (AIEC) Board of Directors since 1992, and has served as chairman of the AIEC Board. He completed the NRECA Professional Directors Training Courses and was certified in 1988. He received NRECA Board Leadership Certification in 1997 and became an NRECA Credentialed Cooperative Director in 1998.

Marion is a native of the Rossville/Potomac area, where he resides with his wife, Rita, and operates a grain farm.

Directorate District 9 Candidate Jay Hageman



Jay Hageman was elected to the Illini Electric Cooperative Board in 1986. He then served on the Eastern Illini Electric Cooperative Board, following the 1987 consolidation, 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. He received the NRECA Credentialed Cooperative Director Certificate in 2002 and the NRECA Board Leadership Certificate in 2011.

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

2013 Meeting Minutes

The Twenty-Sixth 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 13, 2013, at 7:00 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 the registration staff had informed him that there were 894 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

Eastern Illini Electric Cooperative employee Brian Ronna led the membership in the National Anthem.

PLEDGE OF ALLEGIANCE

Eastern Illini Electric Cooperative employee Gary Van Gorden led the membership in the recitation of the Pledge of Allegiance.

INVOCATION

Reverend John Sharp delivered the invocation.

RECOGNITION OF GUESTS

Director Steve Meenen introduced the Cooperative Board and representatives of the Association of Illinois Electric Cooperatives (AIEC) as well as retired Directors and employees. Public officials in attendance were: State Treasurer Dan Rutherford, State Senator Michael Frerichs, State Representatives Jason Barickman, Chapin Rose and Chad Hays, and Pat Daugett, aid to United States Congressman Adam Kinsinger.

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 – 2012 ANNUAL MEETING

The minutes of the Twenty-Fifth Annual Meeting of Members held June 14, 2012, as printed in the 2013 Annual Report/Annual Meeting program and distributed to all member/owners, were presented for consideration. Member/owner Alan Good made a motion that the rules be suspended, that the reading of the minutes of the Annual Meeting held June 14, 2012, 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 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, 2012, and December 31, 2011, 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 2012:

Net Utility Plant	\$54,857,501
Total Assets	\$75,910,716
Long Term Debt	\$37,754,353
Total Equity and Liabilities	\$75,910,716

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 Jon Goembel. The motion was seconded by member/owner Dianne Obernuefemann 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

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 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 the 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 Jay Hageman, which was duly seconded by member/owner Barb Schlatter to waive the written ballot and elect the nominees, Harold Loy, Kay Horsch and Herb Aden. The motion was carried by a voice vote, and the nominees were duly elected by unanimous vote of the membership.



RETIREMENT OF PRESIDENT/CEO WILLIAM DAVID CHAMPION, JR.

President/CEO Champion then spoke to the membership about his decision to retire at the end of 2013. He informed the membership that he has worked with the cooperative for 40 years as of August 2013. He expressed his appreciation to everyone and, in particular, the member/owners. President/CEO Champion indicated that it has been an honor and a pleasure to serve everyone at the cooperative. He has developed a number of lifelong relationships and it was very rewarding to him to be of service to everyone.

He went on to note that the cooperative has 59 employees and has achieved a reliability rating of 99.96 percent. The electrical system is in good condition. He reiterated that he was simply part of the team that got the job done. He further acknowledged and expressed his appreciation for his wife, Dij. A round of applause for President/CEO Champion's years of service followed his presentation.

QUESTIONS FROM THE FLOOR

Chairman Chesnut and President/CEO Champion entertained questions from the floor regarding the operations of the Cooperative. The first matter addressed was the base rate charge ranging from \$26.15 to \$40. It was noted that this was determined based upon the latest cost of service study. He indicated that in order to mitigate the effect of this change, the kWh charge was reduced. The overall average increase in rates was 3.28 percent. Several member/owners expressed their comments and concerns about rates to which President/CEO Champion responded.

Chairman Chesnut then commented that the board and employees appreciate all of President/CEO Champion's efforts, and that he will be missed.

There were no questions submitted in the question box provided to member/owners for that purpose.

UNFINISHED BUSINESS

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

NEW BUSINESS

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

ADJOURNMENT

There being no further business to come before the meeting, upon a motion duly made by Jon Goembel and seconded by Dave Champion and unanimously approved, the meeting was adjourned at 7:35 p.m.

Financial Summary

This financial information represents Eastern Illini's operations for the fiscal years ended December 31, 2013 and 2012. 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

	2013	2012
Total kWh purchased	260,558,090	246,898,274
Total kWh sold	240,538,280	225,651,460
Average number of members	13,626	13,686
Average monthly kWh use	1,471	1,374
Average revenue per kWh sold	\$0.138	\$0.141
Average cost per kWh purchased	\$0.076	\$0.077

Revenue and Expenses

	2013	2012
Total operating revenue	\$33,276,659	\$31,860,308
Operating Expenses		
Cost of power	\$19,865,426	\$18,891,386
Operations and maintenance	3,606,867	3,071,676
Consumer accounts	665,610	646,329
Customer service and information	719,721	703,473
Administrative and general	2,087,961	2,154,109
Depreciation	2,761,615	2,705,043
Interest expense	1,893,776	2,111,682
Other deductions	58,815	49,181
Total Operating Expense	\$31,659,791	\$30,332,879
Operating margins	1,616,868	1,527,429
Non-operating margins	1,925,475	1,401,462
Income or (loss) from investments	115,426	(118,439)
Net Margins for the Year	\$3,657,769	\$2,810,452

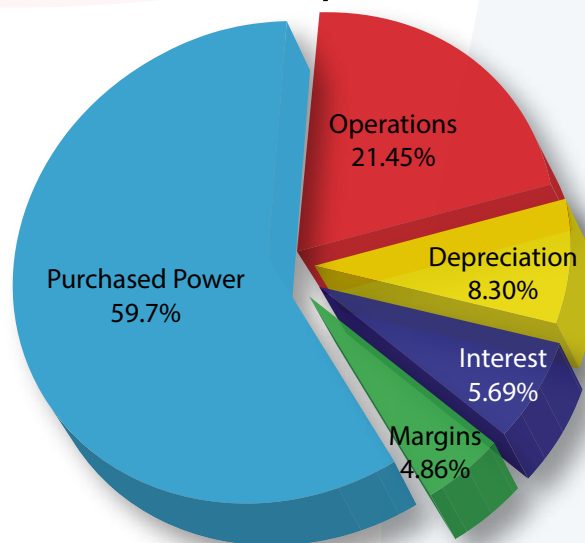
Balance Sheet

Assets	2013	2012
Cost of electric plant	\$92,075,867	\$89,484,087
Less: accumulated depreciation	36,783,870	34,896,586
Net Utility Plant	\$55,291,997	\$54,587,501
Cash - general	\$219,803	\$274,289
Investments	17,457,264	16,272,410
Accounts receivables, net	2,748,010	3,275,624
Materials and supplies	647,719	657,093
Prepaid and other current assets	648,478	843,799
Total Assets	\$77,013,271	\$75,910,716

Members' Equity and Liabilities

Membership fees & other equities	\$2,228,182	\$1,158,793
Patronage capital	28,111,637	28,359,153
Operating margins	1,616,868	1,527,429
Non-operating margins	1,143,275	(897,627)
Long-term debt	36,006,879	37,754,353
Accounts payables	3,210,211	2,953,819
Deposits & prepayments	515,255	530,835
Other non-current liabilities	4,180,964	4,523,961
Total Members' Equity & Liabilities	\$77,013,271	\$75,910,716

2013 Expenses



Eastern Illini Services Corporation

	2013	2012
Operating revenues	\$40,776	\$38,246
Operating expenses	19,392	49,943
Net Operating Income	\$21,384	\$(11,697)
Income or (loss) from equity investments	\$108,699	\$(122,790)
Other	(14,658)	16,048
Income or (loss) from discontinued operations	0	0
Net Income (Loss)	\$115,425	\$(118,439)

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 a FREE app 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.

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** program provides 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.

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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