



NEWSLETTER FOR CO-OP MEMBERS OF ENERSTAR ELECTRIC COOPERATIVE

INSIDE

20B

Annual Meeting Postponed

20C

Vision 2020 — Planning for the Future

20D

Balance Sheet
Income Statement

As reported last month, there has been a recent change in the top leadership at EnerStar Electric Cooperative. In April, former employee Brent Reyher was hired as president & CEO, replacing Mike Clark, who retired from the cooperative.



Brent Reyher
EnerStar CEO

Hello co-op members! I am excited to be back at EnerStar after working with our co-op's power supplier for the past 15 years. It has felt like a homecoming of sorts. While some aspects of the service

territory have changed, many stalwarts of the community have remained steadfast. I look forward to meeting new members as well as re-acquainting with familiar faces during the coming months.

Having grown up within the small community of Brazil, Ind., I fully appreciate the value system that smaller communities offer. There is an overall friendliness and a pace of life that seems wholesome. Although most of my younger years took place in Indiana, I have a fond memory of Paris from my youth. As a boy, I can remember when my grandmother would drive us over to the Paris park from her home in Libertyville, Ind., where I would always ask to get a drink out of the lionhead fountain. At age 7, I never would have guessed that many years later I would find myself serving the community which offered me such memorable times during my youth.

Upon graduation from Northview

High School, I obtained a bachelor's degree in electrical engineering from Rose-Hulman Institute of Technology. I then embarked upon a career in the electric industry wherein I have worked for a municipal utility and an investor-owned utility before finding my "home" within the cooperative family. I've found that the electric cooperative tends to embody the same core values often found within smaller Midwestern communities. EnerStar exemplifies those values, and since it serves a community much like I had grown up in, I am pleased to be back home.

Having remained relatively unchanged for virtually 50 years, the electric utility industry has undergone significant change during the last two decades. Deregulation, permanent retirements of base load coal-fired power plants, wide-spread utilization of renewable generation, and notable advancements in our infrastructure have all taken place in the last 20 years. Likewise, your electric cooperative has undergone change. In recent years, EnerStar has implemented a fully automated meter reading system, added a ninth distribution substation, increased its load transfer capabilities between neighboring substations, and replaced or upgraded many miles of distribution circuit. Further, it has expanded

Continued on page 20B



A Touchstone Energy® Cooperative

11597 Illinois Highway 1
Paris, IL 61944
800-635-4145
Monday through Friday
7:30 a.m. to 4:30 p.m.

vegetation management programs, added automated sectionalizing devices and partnered with its power supplier, Wabash Valley Power, to install a community solar array near our office in Paris. All these endeavors have improved system reliability and reduced outage times overall.

As CEO of EnerStar, I will work alongside co-op staff to continue to build upon these past successes while embracing new technologies as a means of ensuring low-cost reliable power to our membership. We must remain vigilant in our efforts to keep abreast of technological innovation. Some of today's technology provides us with accurate/secure real-time system information, which in turn allows us to efficiently operate the system and provide remote operation of key equipment. The key benefit of such equipment is to reduce outage restoration times.

We shall best accomplish this strategic goal by working closely with our vendors, power supplier and our extensive network of

distribution cooperatives to evaluate whether such technology is viable for EnerStar, not only in the short term but for years to come. We will continue to adapt to the changing needs of our membership. The traditional electric utility model, which relied primarily on large central station power (coal powered steam generators), has forever changed with advances in smaller-scale wind, solar and hydro-electric generation.

For many years, EnerStar has been adapting both its distribution system as well as its business practices to incorporate our member's desire to own and operate their own "mini" power plants, mainly member-owned solar. We anticipate this interest will continue to grow throughout the next decade so we will continue to enhance our system to provide power when you need it and to be ready to accept excess power from your member-owned distributed resources.

Both the EnerStar board of directors and co-op staff remain steadfast

in support for our community. As a matter of fact, it is one of our seven founding cooperative principles. The provision of sack lunches during a time when food was challenging to acquire is but one example of that passion. We plan to continue to offer scholarships for graduating seniors as well as help support local youth activities such as 4-H and FFA. We believe our actions speak to our concern for community, so feel free to join us when you see us out and about, actively demonstrating this desire to serve.

EnerStar will strive to remain your trusted energy partner while actively demonstrating its commitment to serving you, the member, as well as the community in which we live. Should you have a suggestion, a concern or simply want to provide feedback regarding our efforts to date, feel free to contact me any time either via phone at 217-466-7600 or email at breyher@enerstar.com. I look forward to speaking with you!

EnerStar annual meeting postponed

In these uncertain times, EnerStar Electric Cooperative has two key priorities: Keeping the lights on and the safety of its membership and employees. As you are probably already aware, the lobby at the Paris office remains temporarily closed. In addition, the co-op has instituted several measures to safeguard employees against any potential illness. This includes some employees working off-site and canceling all non-essential business travel.

We already communicated to the membership that the annual meeting is postponed. There was much discussion at the May 2020 co-op board meeting. We simply are taking a "wait and see" approach and will communicate further plans once the stay-at-home is lifted. We understand that large gatherings may be an issue through the rest of the year.

Are you past due on your electric bill?

EnerStar understands that many of our co-op members are impacted financially by the COVID-19 pandemic and utility costs can place stress on your budget. We are here to provide additional resources, short-term payment arrangements, deferred payment plans, and support during this difficult time.

"If any of our members are facing a financial strain and paying the electric bill will create an additional hardship, we encourage you to reach out to one of our member service representatives," said EnerStar's Angela Griffin. "These are uncertain times, but we can work with our members and help them get back on track with the electric accounts." Griffin added that the cooperative is currently waiving late fees on past due accounts. The co-op feels strongly that this is just one more way that the co-op can demonstrate our 'concern for community' cooperative principle.

2020 Vision for the Future

Updates from EnerStar CFO David Clinton

For the past year, long before the word COVID-19 had entered our vocabulary, extensive planning has been completed to prepare EnerStar Electric Cooperative for 2020 and beyond. Since our annual meeting has been postponed, we felt it important to share these plans in our monthly magazine. There is one thing you can be sure of and that is your cooperative board and management are thinking about the long-term health and stability of our electric cooperative.

We believe there are four key areas that are the cornerstones to success: Service Reliability, Financial Stability, Fairness with Rates and Fees, and finally, Integrity and Accountability.

Planning for long-term Service Reliability.

The co-op's Construction Work Plan was updated for maintaining and upgrading our electric power lines. This plan looks 10 years into the future. Plans were also updated for long-term equipment needs, trucks, heavy equipment, etc. Of course, long-term staffing plans were developed to match.

Planning for long-term financial stability.

Long-term financial plans were developed with a 10-year projection. Incorporated into these financial projections are plans for all key areas. These include wholesale power costs, investment needed to maintain and upgrade our system, plans for borrowing, and plans for capital credit retirements.

Some of the specifics included in this effort was the proposed 2020 electric rate increase, the first in 7 years! Once implemented, it will raise monthly bills \$5/month by increasing the "Grid Access Fee," formerly the "Facilities Charge." Additionally, we increased the fees charged for

member-requested construction work. Purpose of change was to restore fees to be as close as possible to actual cost.

Before closing this section on financial stability, it is important to recognize how fortunate we are, as a small electric utility, to have a long-term and stable whole power supplier, Wabash Valley Power. They too are a not-for-profit organization. As wholesale power costs account for 55 cents of each dollar you pay, they are obviously very important! Our contract is long-term and requires them to meet 100 percent of our needs. In today's uncertain world, this certainty provides comfort.

Planning for long-term fairness in rate design.

A professional study by an outside firm was conducted to make sure our electric rate design is fair and equitable. That is, commercial customers are paying their fair share. But just as important, small users of electricity and large users of electricity are equally paying their fair share of operating costs. The study showed current rate structure is good. Only recommended change was to increase our monthly Grid Access Fee.

Planning for long-term corporate integrity.

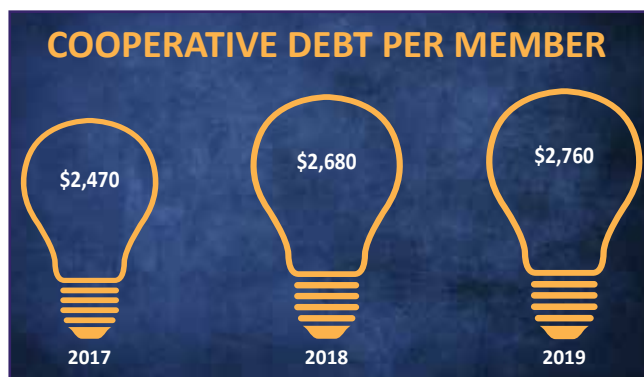
Often overlooked, but very important is the organization's controls used to protect the integrity and reputation of our organization and to protect your assets. We are pleased to report we had an excellent report! Some of the specifics covered with our ongoing efforts include having

appropriate internal controls, maintaining full compliance with environmental and wildlife rules and regulations, and being a strong advocate of safety on behalf of our employees and the public.

Further Financial Information

Numerous critical statistics are monitored by co-op leadership to measure performance and long-term health of the cooperative. One such statistic that is especially important measures the extent of debt the cooperative is adding to its balance sheet. One way to measure this statistic is using "debt-per-member."

As the following graph shows, debt has increased somewhat. Unchecked, this growth will become a serious problem for the future. To mitigate this growth a small rate increase was planned for 2020 (\$5/member per month). This rate increase is currently delayed as our members deal with the COVID-19 situation. However, once



implemented, it will help to mitigate this growth in debt.

In conclusion, if I have communicated anything, I hope you will think of 2019 as the year of "Planning for the Future," your future. It was a year where we identified the critical issues impacting our future and took action on the same. As a member-owned cooperative, we don't serve investors or taxpayers, we only serve you; our member-owners.

BALANCE SHEET

ASSETS	2019	2018
Property, Plant And Equipment	\$28,951,053	\$28,680,848
Ownership In Associated Organizations	4,055,630	3,763,653
Notes Receivable And Other Investments	3,555,073	2,901,682
Accounts Receivable, Materials & Other Curr. Assets	2,365,221	2,530,981
Cash	164,116	237,476
TOTAL ASSETS AT COST	\$39,091,093	\$38,114,640

MEMBERS' EQUITY AND LIABILITIES	2019	2018
Members' Equity	\$18,743,478	\$17,758,573
Long-Term And Short-Term Debt	14,465,927	14,079,878
Provision For Future Retirement Obligations	3,353,434	3,513,278
Accounts Payable & Other Curr. Liabilities	2,528,256	2,762,911
TOTAL MEMBERS' EQUITY & LIABILITIES	\$39,091,093	\$38,114,640

This Balance Sheet shows audited results for 2019 and 2018. The vast majority of our assets are invested in plant; basically, power lines, substations and equipment to provide electric service.

The funding for these assets come primarily from two sources: Members' Equity and Debt. Member's Equity is the portion of EnerStar that is owned by those we serve, our members. Think of it like the equity in your home.

It takes \$7,440/member to maintain all the assets necessary to operate EnerStar. This investment is funded with Members' Equity at the rate of \$3,570/member. The remainder is funded through Debt and Other Liabilities.

This Income Statement shows audited results for 2019 and 2018. To help put these numbers in perspective, we have included how they translate into revenues and costs per a typical residential bill. (1000 kWhs)

What you may find interesting is how close our Operating Income is to Operating Expenses. In our budgeting and planning, our 2019 monthly costs came within \$4.51 of what we charged. A small margin indeed! This small amount left over for Operating Income will then be added to Members' Equity and used to help offset the need for debt.

Total Margins are higher due largely to Non-Operating Margins. These are largely non-cash capital credit allocations from our affiliated organizations.

INCOME STATEMENT

REVENUES	2019	2018
Operating Income	\$12,545,362	\$12,396,348
EXPENSES	2019	2018
Cost Of Purchased Power	6,878,434	6,835,473
Operations & Maintenance	1,540,898	1,645,605
Customer Service & Information	637,782	646,290
Administrative & General	1,024,022	1,068,444
Taxes, Interest & Depreciation	2,079,922	1,977,791
TOTAL OPERATING EXPENSES	\$12,161,058	\$12,173,603
TOTAL OPERATING MARGINS	\$384,304	\$222,745
Non-Operating Margins (Net)	724,288	517,755
TOTAL MARGINS	\$1,108,592	\$740,500

MONTHLY AMOUNTS PER AVERAGE RESIDENTIAL BILL

OPERATING INCOME	\$147.11	\$144.96
TOTAL OPERATING EXPENSES	\$142.60	\$142.36
OPERATING MARGINS	\$4.51	\$2.60
TOTAL MARGINS	\$13.00	\$8.66