

2021 BOARD PRESIDENT AND GENERAL MANAGER'S REPORT

I would like to invite you to your 83rd Annual Meeting for the member-owners of T.I.P. Rural Electric Cooperative. The employees and your board of directors have decided to have a drive-through annual meeting again this year. We still feel that there are so many unknowns about the Coronavirus and wish to keep everyone safe. This decision did not come easy for the board: however, T.I.P. Rural Electric Cooperative feels it is the responsible choice to make. With the vaccines and new CDC guidelines, we are hoping to have the annual meeting in 2022 in the new BGM School Auditorium.

I am very proud of our employees at T.I.P. Rural Electric Cooperative for the sacrifices they have made this last year. Working with all the protocols and changes COVID-19 brought and the long hard hours they needed to put in during the Derecho Storm on August 10, 2020. Hats off to them for all their hard work, as they were still able to complete the budgeted items for 2020.

You can count on one thing that hasn't changed at T.I.P. REC, and that is our priority to provide our member-owners with safe, reliable electricity. We invested \$2.8 million in improvements to our distribution system in 2020. We also completed 7.1 miles of FEMA line projects in Iowa, Poweshiek, and Keokuk counties, along with all our yearly programs.

In 2021, Central Iowa Power Cooperative (CIPCO), our generation and transmission provider, supported renewable energy by owning six solar generation sites (0.3%) and purchasing the output from wind projects (30.2%), and solar, hydro, and biogas projects (9.8%). CIPCO sells, separately, the environmental attributes associated with this generation to third parties, and therefore does not claim the generation as renewable within our own supply portfolio. CIPCO also generates energy and capacity from owned coal (32.1 %) and natural gas facilities (2.3%). Other purchases (1.8%) and spot purchases from the energy market (23.5%) are also important as CIPCO meets the total energy required to serve member-owners and supplements the amount provided by secured resources.

This year, your cooperative again demonstrated one of the benefits of your member-owned, non-profit organization as it paid 25% of 2004, 75% of 2005, and 10% of 2020 patronage dividends. These dividends totaling \$571,013.55, were distributed in August as bill credits if you were an active member and with checks to inactive members. With this year's payment your cooperative has paid a grand total of \$11,000,073.68.

The financial position of your cooperative last year was strong. However, it represented the continuation of a trend towards lagging operating margins. While we continue to be an efficient and profitable cooperative, our annual cash flows have diminished over the last two years. Kilowatt hour sales are lower this year with some of our commercial and industrial loads still being scaled back due to the impacts of COVID-19 and the effect of the economy. As we have continued with an aggressive maintenance and construction plan as well as mitigation efforts to continue to improve system reliability, one of our many concerns is the rise in material costs and the uncertainty regarding when they might level off.

Because of our concerns regarding our diminished margins, we will be doing a Rate and Cost of Service Study in the near future to determine if there is a need for an increase in revenue to meet our financial requirements. We have not adjusted the rates since 2016 and with or without the effects of COVID-19, a rate increase may be on the horizon. The staff and board of directors go through a rigorous budgeting process that ensures your dollars are spent wisely and appropriately.

We have the greatest member-owners at T.I.P REC, and we will continue to focus on our mission of providing safe, affordable, and reliable power to you.