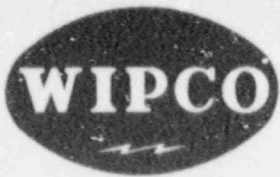


Western Illinois Power Cooperative, Inc.
1987 Annual Report

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Board of Directors



Robert E. Gant
President
 Manager, Illinois Rural
 Electric Co.



Wayne Bollinger
Vice President
 Director, Spoon River
 Electric Co-operative, Inc.



Roger C. Mahrman
Secretary-Treasurer
 Manager, Adams
 Electrical Co-Operative



Eldon E. Moore
Asst. Secretary-Treasurer
 Director, M.J.M.
 Electric Cooperative, Inc.



Gregory A. Campbell
 Manager, Spoon River
 Electric Co-operative, Inc.



William Griswold
 Director, Illinois Rural
 Electric Co.



Dennis A. Keiser
 Manager, M.J.M.
 Electric Cooperative, Inc.



Dale R. Lepper
 Director, Menard
 Electric Cooperative



Sharon Roberts
 Director, Western Illinois
 Electrical Coop.



Gary Skaggs
 Director, Rural Electric
 Convenience Cooperative



Dorland W. Smith
 Manager, Menard
 Electric Cooperative



Robert D. Smith
 Director, Adams
 Electrical Co-Operative



Haven D. Vaughn
 Director, Western Illinois
 Electrical Coop.



Gregory D. Wilson
 Director, Rural Electric
 Convenience Cooperative

Facts

Miles of 34.5 KV line	103	Transmission Substations	7
Miles of 69 KV line	466	Full-time Employees	52
Miles of 138 KV line	20	Generation, MW	32
Distribution Substations	82	Member Cooperatives	7



Alternate Directors:



Gary Bowman
Director, Spoon River
Electric Co-operative, Inc



Carroll F. Cline
Director, Menard
Electric Cooperative



Robert Foiles
Director, M.J.M
Electric Cooperative, Inc.



James T. Brannan
Director, Illinois Rural
Electric Co.



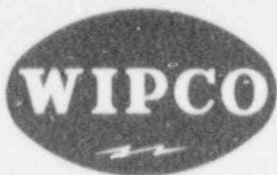
Roy D. Goode
Manager, Rural Electric
Convenience Cooperative



Arthur Tenhouse
Director, Adams
Electrical Co-Operative



Ross Wear
Director, Western Illinois
Electrical Coop.



President's Report

Welcome to all member delegates to the 28th annual meeting of Western Illinois Power Cooperative, Inc. The operation of the cooperative in 1987 continued under the direction of our interim manager, Dean Searls.

WIPCO continued to operate under the pooling agreement with Soyland Power Cooperative, Inc. and Illinois Power Company. This enables WIPCO and Soyland to use Illinois Power's generation on an "as-if-owned" basis. By utilizing these pooled resources, our power costs have remained relatively stable for the year.

The Clinton plant construction progressed to a conclusion in 1987 — a milestone we have looked forward to for some ten years. At our annual meeting last year it was reported that the plant had been approved for a low power operating license. On Feb. 27, 1987 at about 4 a.m., the first self-sustaining nuclear chain reaction was achieved. This marked the beginning of a series of tests that would conclude with a fully operating plant.

By April 10, 1987 the Nuclear Regulatory Commission voted unanimously to issue a full power operating license for the Clinton Power Station. This full power license meant that the reactor could now operate at a level that would generate enough steam to turn the turbine generator fast enough to generate electricity and synchronize with the power grid. On April 24, 1987 this synchronization occurred and power began to flow from the Clinton plant to farms, homes, and businesses.

The Clinton plant continued to operate through the summer months as testing continued and the plant limbered up to perform the 100-hour warranty run. This critical test was completed with flying colors on Oct. 12, 1987. During the full power 100-hour test, this plant was providing full load capacity into the Soyland-WIPCO Illinois Power pool as it was designed to do. After the successful run of this critical test, the plant was down for 35 days for

routine maintenance. On Nov. 22, 1987, the plant came back to full power and will continue until it is scheduled to come off line in late March 1988. Even though the plant is in production, the financing of this project is still being negotiated.

During 1987 a good deal of effort has been spent on the restructuring of the WIPCO debt as well as the refinancing of that debt. As we continue to negotiate with the Rural Electrification Administration on the restructuring of the overall debt, it became apparent that there could be some savings to the WIPCO-Soyland pool and the REA Revolving Fund to also refinance part of the WIPCO debt. But because of REA's interpretation of the regulation of refinancing and the rise in interest rates, there were no longer any savings for the pool or for the revolving fund by the end of the fiscal year. Restructuring negotiations continue and at this time looks very favorable, providing we can get a good ruling on the treatment of our tax liability from Internal Revenue Service. This is one of the last hurdles that must be jumped prior to putting this package together.

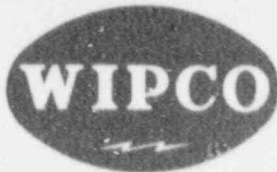
I know that for all the people who have been involved in this workout, it must seem very long and involved. I wish to express my appreciation to my fellow board members and to Dean Searls and his staff of employees for their dedication to WIPCO and its member-cooperatives. It takes all of us working as a team to meet these challenges.

Cooperatively yours,

A handwritten signature in cursive script that reads "Robert E. Gant".

Robert E. Gant, President





Secretary-Treasurer's Report

The 27th annual meeting of Western Illinois Power Cooperative, Inc. was held on March 11, 1987. The following officers were elected: Robert E. Gant, president; Robert F. Zook, vice president; Roger C. Mohrman, secretary-treasurer; and Wayne Bollinger, assistant secretary-treasurer. Robert Zook retired from the board of directors in July 1987. To replace him, Wayne Bollinger was elected vice president and Eldon E. Moore was elected assistant secretary-treasurer.

Twelve regular board meetings, three special board meetings and the annual meeting of members were held during 1987. Attendance at our regular and special board meetings was very good, averaging 93 percent.

During the course of the year, the WIPCO board was extensively involved with negotiations concerning both refinancing and restructuring of the Clinton debt. Due to its importance, considerable time was devoted to debt restructuring at nearly every regular meeting and several special meetings were held on this matter.

The major agreements approved during the course of the year were the interim agreement between Illinois Power Co., Soyland and WIPCO, and the Indemnity B-91 Agreement. Other business included action on various budgets, financial forecasts, work order approvals and fuel contracts. The board also authorized the hiring of an independent engineering company to examine our present agreements and advise us on the feasibility of a merger with Soyland Power Cooperative and any other viable options that might be considered. This study will be completed in early 1988.

The board established a negotiating team with President Gant, Attorney Forrest Keaton and Interim Manager Dean Searls being appointed for the federation with REA. The law firm of Bryan, Cave, McPheeters and McRoberts was appointed to represent the federation in legal proceedings involving the Illinois Power Co. construction of the Clinton plant.

The firm of Deloitte, Haskins and Sells of Springfield, Illinois, was selected as our financial auditor and they are presently completing the 1987 audit. Financial records for the cooperative are maintained in accordance with the uniform system of accounts as prescribed by the Rural Electrification Administration, which is basically the same as that prescribed by the Federal Energy Regulatory Commission (FERC). Assets, liabilities, statement of operations, load data, statement of changes in financial position, and margins allocated to patrons of the cooperative and, in many cases, previous years are shown on the following tables.



Respectfully submitted,

A handwritten signature in dark ink that reads "Roger C. Mohrman". The signature is written in a cursive style.

Roger C. Mohrman
Secretary-treasurer



Assets

	1987	1986
Total Utility Plant in Service	\$447,167,091	\$ 39,035,158
Nuclear Fuel	11,307,714	0
Construction Work in Progress	490,741	443,392,654
Total Utility Plant	<u>\$458,965,546</u>	<u>\$482,427,812</u>
Accumulated Provision for Depreciation	19,717,095	16,727,436
Net Utility Plant	<u>\$439,248,451</u>	<u>\$465,700,376</u>
Investments in Associated Organizations	1,868,464	1,878,203
Illinois Power Company-Notes Receivable	9,546,902	2,321,800
Cash — General Fund	10,535	17,394
Cash — REA Loan Fund	1,615	722
Commercial Paper-General & Construction	16,642,000	3,615,802
Accounts Receivable	4,284,284	4,299,224
Accounts Receivable — Equity Funding	6,511,342	6,287,163
Material and Supplies	3,382,032	1,287,958
Fuel Inventory	574,505	622,185
Prepayments	171,927	76,928
Other Current and Accrued Assets	380,779	15,543
Total Assets	<u>\$482,622,836</u>	<u>\$486,123,298</u>

Liabilities

	1987	1986
Long Term Debt — FFB, Clinton Nuclear Plant	\$406,324,595	\$406,324,595
Long Term Debt — REA, 2% and 5% Loans	23,029,612	23,880,341
Long Term Debt — FFB, Transmission	1,226,000	1,226,000
Accounts Payable	6,061,748	1,758,452
Accrued Interest Payable	213,692	14,184,654
Other Current Liabilities	483,757	351,840
Soyland — IP Loan, Working Capital	0	2,321,800
Memberships	175	175
Patronage Capital	2,779,263	2,779,263
Operating Margins — Current Year	(439,356)	607,947
Nonoperating Margins	610,188	116,241
Operating Margins — Prior Year	(1,643,543)	(2,367,731)
Equity Funding — Collected	31,488,658	28,460,630
Equity Funding — Uncollected	6,511,342	6,287,163
Other Margins and Equities	191,928	191,928
Deferred Revenue	5,784,777	0
Total Liabilities	<u>\$482,622,836</u>	<u>\$486,123,298</u>



Statement of Operations

	1987	1986	1985	1984	1983
Total Electric Revenue	\$33,097,759	\$30,813,747	\$32,894,550	\$29,656,288	\$27,963,660
EXPENSES:					
Purchased Power	0	0	0	21,516,093	21,220,924
Generation, Operation & Maintenance & Capacity	6,766,671	10,347,273	14,175,153	3,588,395	3,482,095
Energy Cost	9,798,860	8,326,556	11,243,807	0	0
Transmission Expense	1,542,157	1,583,359	2,575,108	475,810	499,445
Distribution Expense	240,427	228,115	188,420	366,698	200,581
Administration & General Expenses	1,648,996	1,042,622	477,637	534,101	510,849
Depreciation	2,583,743	2,673,574	506,635	1,242,643	965,574
Taxes	2,604,657	3,979,846	148,225	253,440	275,635
Interest	6,337,382	1,973,940	2,441,950	1,865,668	824,879
WIPCO Adder	1,250,000	0	0	0	0
Total Cost of Service	<u>\$32,772,893</u>	<u>\$30,155,285</u>	<u>\$31,756,935</u>	<u>\$29,842,848</u>	<u>\$27,979,982</u>
Operating Margins	324,866	658,462	1,137,615	(186,560)	(16,322)
Other Income	283,268	65,726	59,652	53,229	54,787
Writeoff	(437,301) ⁽³⁾	0	0	(38,415) ⁽²⁾	3,431,718 ⁽¹⁾
Total Margins	<u>\$ 170,833</u>	<u>\$ 724,188</u>	<u>\$1,197,267</u>	<u>\$(171,746)</u>	<u>\$(3,393,253)</u>

Note: WIPCO and Soyland began operations as the Soyland/WIPCO Power Pool January 1, 1985

(1) Clinton -2

(2) 345 KV line study and ash pond

(3) Separate work orders - Nuclear fuel

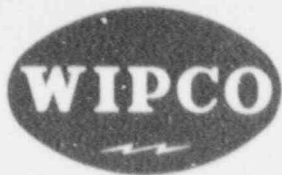


Load Data

	1987	1986	1985	1984	1983
<i>Electricity generated and Purchased (1,000 kwh)</i>					
Energy Purchased from Soyland/WIPCO Power Pool*		583,597	590,260	603,510	104,712
<i>Electric sales to</i>					
<i>Member-cooperatives (1,000 kwh)</i>					
Adams Electrical Co-Operative	85,290	86,950	90,095	90,556	91,616
Illinois Rural Electric Co.	100,913	102,226	104,600	106,522	108,599
M.J.M. Electric Cooperative, Inc.	87,005	86,294	88,337	91,017	93,515
Menard Electric Cooperative	130,058	126,427	128,784	131,518	125,597
Rural Electric Convenience Cooperative Co.	71,614	72,636	74,615	76,943	75,880
Spoon River Electric Co-operative, Inc.	40,982	41,953	44,712	46,596	48,957
Western Illinois Electrical Coop.	35,914	36,569	39,403	40,481	40,480
Total electric sales to members	551,776	553,055	570,546	583,633	584,644
<i>Peak demand maximum month.</i>					
<i>Kw by members</i>					
		<i>Coincident Peaks</i>		<i>Non-Coincident</i>	
Adams Electrical Co-Operative	19,209	19,088	22,047	23,005	23,432
Illinois Rural Electric Co.	23,394	20,180	21,379	23,906	25,946
M.J.M. Electric Cooperative, Inc.	22,000	20,700	18,402	21,258	23,259
Menard Electric Cooperative	33,420	30,965	31,021	37,679	41,587
Rural Electric Convenience Cooperative Co.	16,987	15,996	16,606	18,115	18,927
Spoon River Electric Co-operative, Inc.	9,304	8,475	9,773	11,054	12,554
Western Illinois Electrical Coop.	7,977	7,995	9,103	10,119	9,228
System maximum month kw demand	124,318	115,736	123,938	135,749	150,485
<i>Annual load factor % -</i>					
<i>Member-cooperatives</i>	50.7	54.6	52.6	48.8	44.4

*WIPCO and Soyland began operations as the Soyland/WIPCO Power Pool Jan. 1, 1985.

**Energy generated by WIPCO generating units is assigned to Soyland/WIPCO Power Pool.



Production Report

Generation of the Pearl steam unit and the diesel units totaled 121,560.8 mwh for the year. Of this total, 121,467 mwh were generated by the steam unit.

The steam unit was in service 66 percent of the year, off line for economic reasons 21 percent, off line for scheduled maintenance 9 percent, and off line due to unscheduled maintenance 4 percent. The majority of the off line economic hours, 1,619 or 89 percent, occurred from September through December, correlating to the start-up of the Clinton Power Station. When the unit was on line, it was generating near capacity, averaging 21.1 mw per hour.



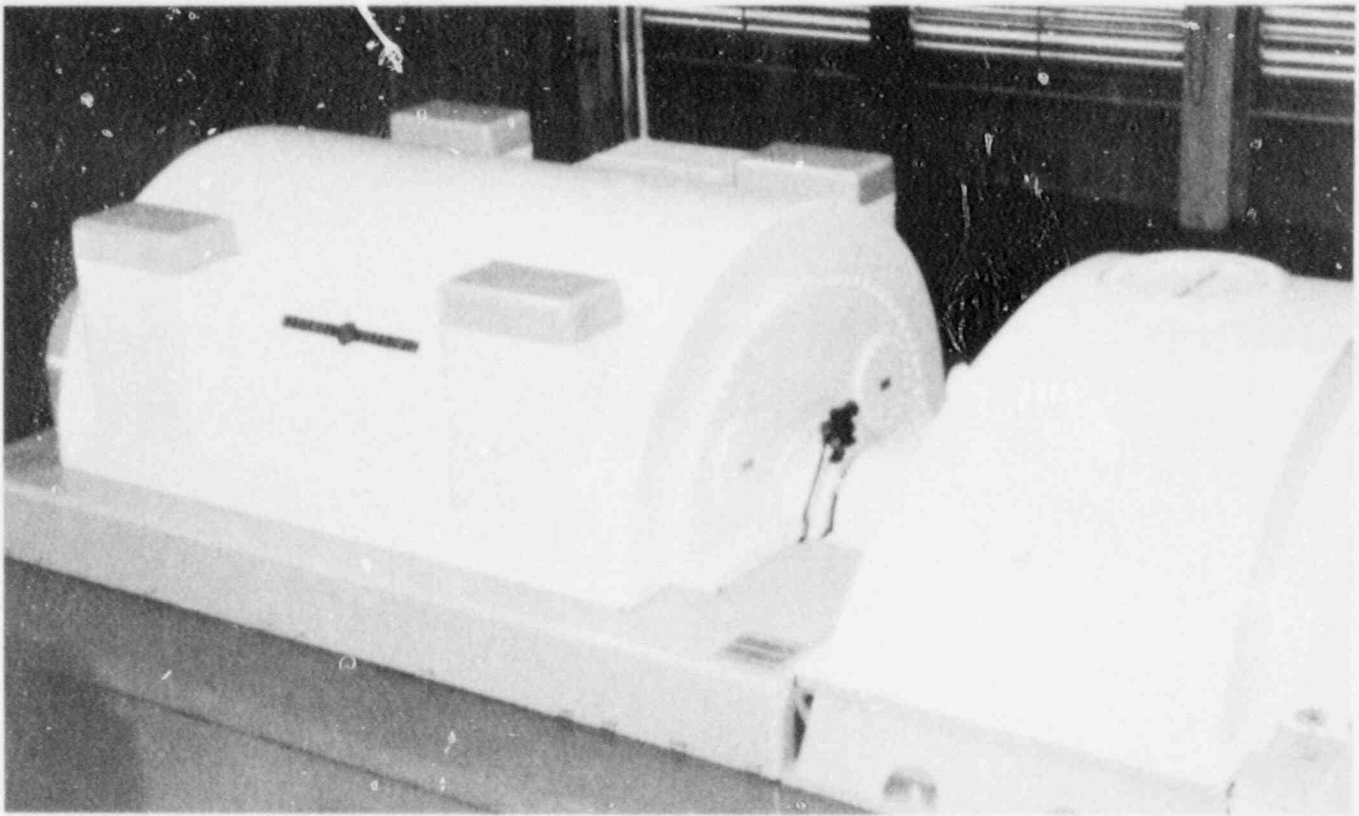
During the year, 12,000 tons of bottom ash were removed from the plant, a plant efficiency test was performed under the direction of Stanley Engineering, the coal pile storm run-off levee project was completed and the conveyors, old stack and water tower were painted. At the Pittsfield plant, a new roof was installed and a fire protection system was installed as requested by the insurance company.

Routine maintenance at Pearl included: the overhauling of the pulverizers, the rebuilding of the bottom hopper and clinker grinder and continual repair of the wet scrubber.

The gas turbine has been placed into a long-term storage condition with the intention of bringing it back to a standby mode in the future.

Projects started or to be started include: studying methods of improving the ash pond effluent pH to meet new Illinois Environmental Protection Agency (EPA) permit restrictions, drilling a new well at Pearl, replacing the insulation and lagging on a portion of the wet scrubber duct and monitoring the condenser tubes to determine replacement feasibility.

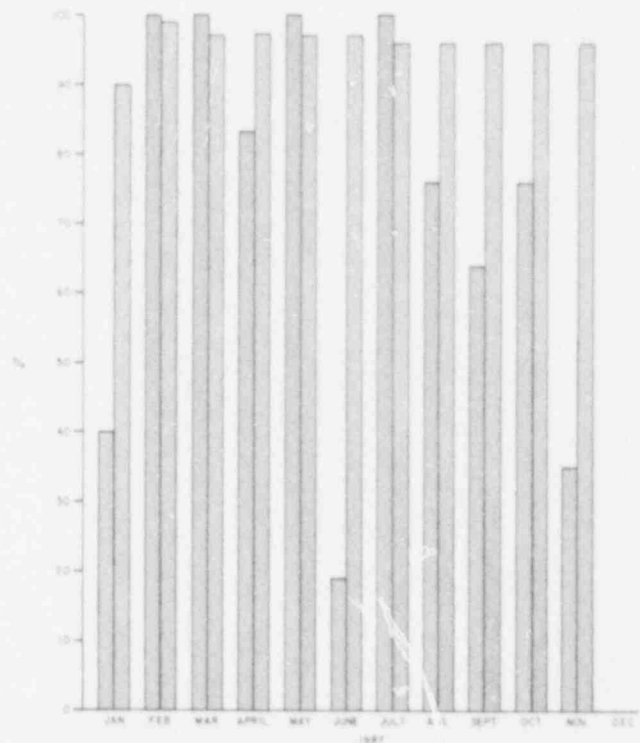
WIPCO crews constructed a levee around the coal pile at Pearl during 1987. The levee brings WIPCO into compliance with new federal Environmental Protection Agency (EPA) regulations on coal runoff.



The Pearl generator.

The coming year will prove to be unique for Pearl. The information supplied to us from Illinois Power's dispatch is that with Clinton on line, Pearl will be off line a considerable amount of time. Instead of a base-loaded unit, Pearl will be a peaking unit, on standby at all times. The maintaining of idle equipment in a standby mode, we have learned, takes a considerable amount of time and rethinking by all involved. We look for the steam unit to have a very high availability rate in 1988. Unfortunately, generation output will be low.

PEARL STEAM UNIT



% OF HOURS ON LINE
 % OF TOTAL POSSIBLE GENERATION WHILE ON LINE

NOTE: When unit was on line it was generating an average of 96% capacity. Hours on line decreased August through December as Clinton started producing. During the month of December the steam unit was shut down due to economic reasons.



Transmission Report

The majority of transmission line and substation construction this year was caused by new highway construction. The requirement for more right-of-way to build additional lanes on highway 104 east of Quincy mandated the extension of our existing transmission line, constructing a new distribution substation and the dismantling of our existing Burton substation. The structure has been stored at Jacksonville and will be used in the future.

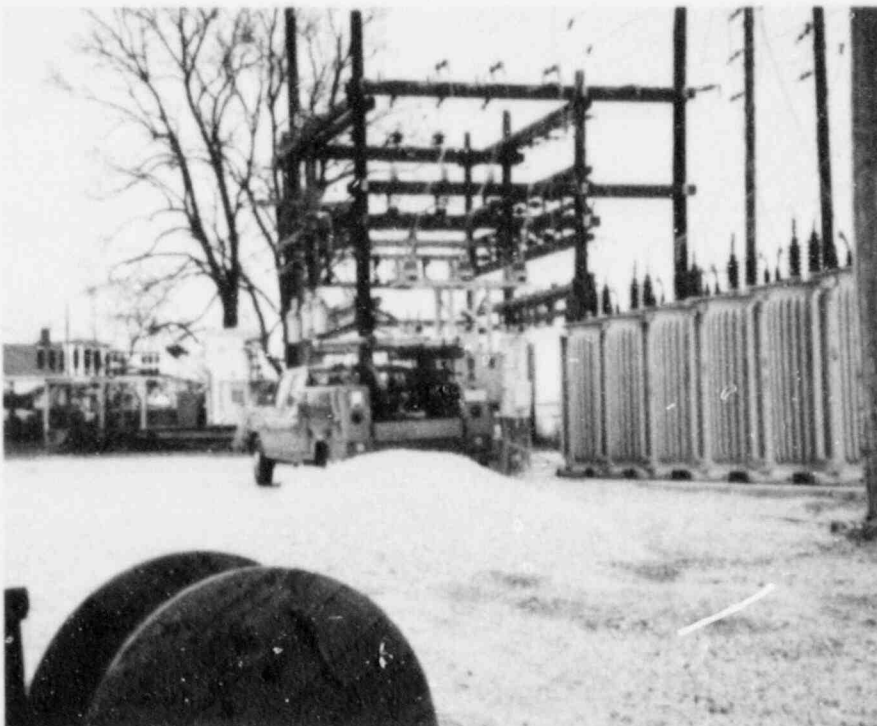
The Pittsfield distribution station, a wood-pole structured arrangement, required extensive work. Old poles and crossarms had to be replaced. New poles and crossarms added to expand the structure to accommodate a new 15 kv circuit, switchgear and metering, and a larger transformer bank was installed to support new load.

About 3½ miles of transmission line was built and nearly the same amount retired in

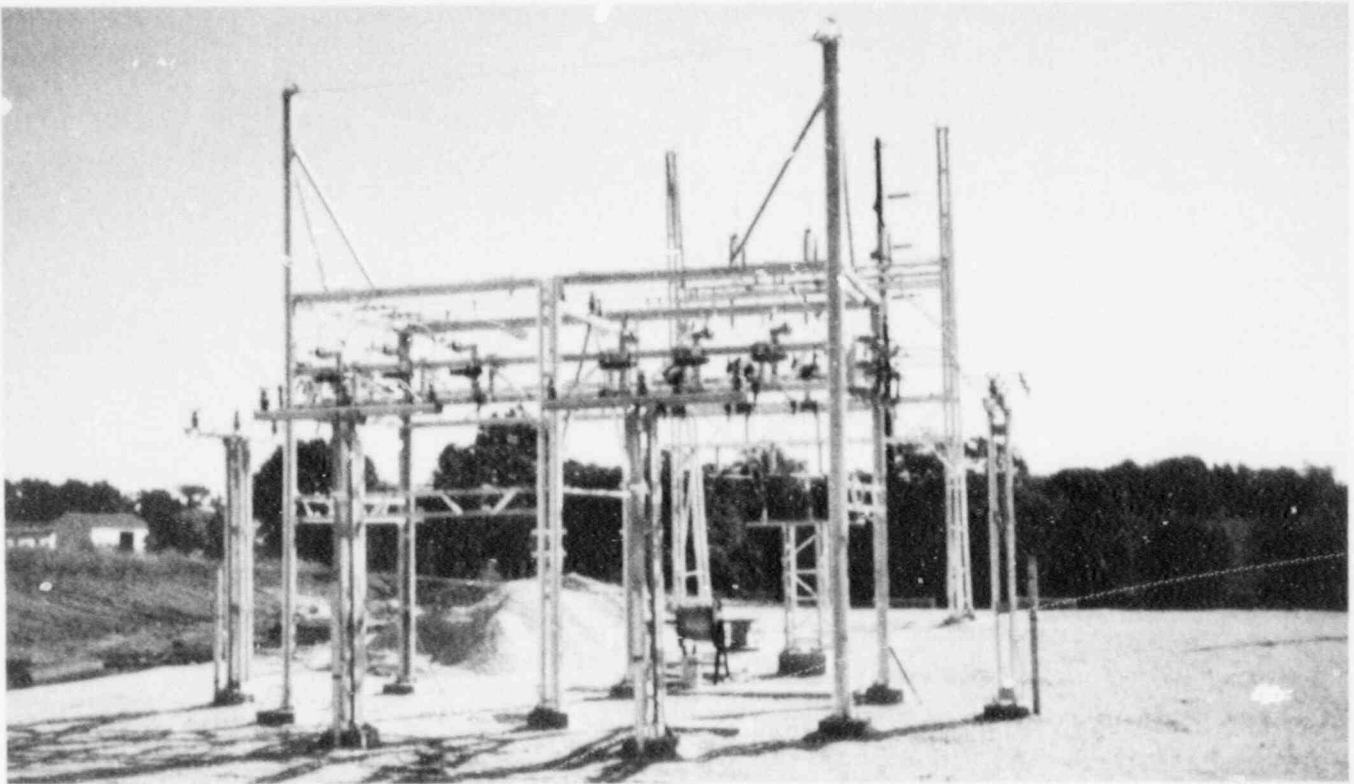
rerouting our integrated system to permit construction of the Central Illinois Expressway. One mile of 69 kv line was built for McDonough Power Cooperative at Macomb, giving them an alternate feed for most of their system.

Retrofilling of transformers and disposal of the contaminated PCB-oil was initiated last year. This program has been expanded this year to include oil circuit breakers, primary meter tanks and distribution substation regulators. We disposed of approximately 12,000 gallons of contaminated oil this year. We still have substation equipment with PCB-contaminated oil, but these units are classified as below 500 PPM.

This year we tested all meters on the integrated system. We also installed new low voltage 15 kv metering in four stations



The distribution substation at Pittsfield, serving Illinois Rural Electric Co. members, required extensive upgrading during the year.



Crews constructed a new distribution substation to serve the Burton area of Adams Electrical Co-Operative's service territory. The old Burton substation was dismantled and stored at Jacksonville for future use. This replacement was necessary because of new construction on highway 104 east of Quincy.

allowing the removal of three primary meter tanks that contained PCB-contaminated oil.

Preventative maintenance consisted of replacing 63 poles, 72 crossarms, 246 insulators, and installing hardware cloth on 168 poles. All five of our 138 kv circuit switches were refilled with SF6 gas and test-tripped. Ten oil circuit breakers were untanked, cleaned and test-tripped. We had 325 oil circuit breaker operations for the year.

Two major transformer failures: A 5,000 kva, three-phase transformer at the Athens substation failed June 14. This unit was still under partial warranty. General Electric repaired the transformer and was put back in service Jan. 27, 1988. The other failure was a much larger transformer — 138/69 kv, 20 mva unit located in our East Lanesville substation and used for interchange with Illinois Power Co. This transformer supported WIPCO's 69 kv

integrated system on our east boundary. The transformer failed in the tertiary winding or tertiary bushing arcing started an external fire. The fire was fed from oil flowing from the main tank. It burned out of control for about 30 minutes. Extensive damage was done to the transformer and foundation. This unit failed on April 30, 1987 and is being repaired at McGraw-Edison's repair shop. It is scheduled to be returned by Feb. 26, 1988. The transformer's total weight is over 88 tons.

We have purchased storage racks for material at the warehouse, a 5,000 pound forklift, and a large pole trailer, all of which have been very useful.

WIPCO vehicles traveled approximately 170,000 miles and used 24,000 gallons of fuel maintaining and constructing our transmission system.



Interim Manager's Report

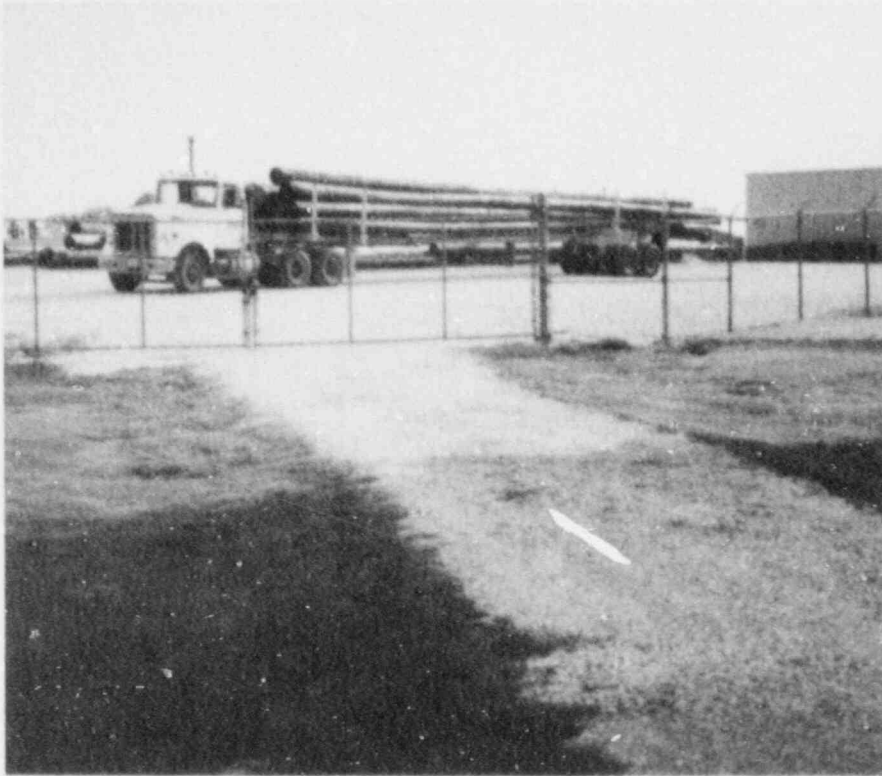
To properly describe WIPCO's operations for the past 12 months would require the use of a wide selection of adjectives. These would range from "disappointment" to "successful achievement." The disappointment stems from our inability to complete merger plans with Soyland Power Cooperative. Much effort has been made by both WIPCO and Soyland by holding numerous meetings with The Rural Electrification Administration (REA), The National Rural Utilities Cooperative Finance Corporation (CFC), the justice department and The Office of Management and Budget (OMB). Term sheet conditions for restructuring the Clinton debt have been reviewed and are nearing the final stages for acceptance. Restructuring may bring about a tax liability

from the Internal Revenue Service. This must be resolved before restructuring can be comfortably accepted.

Late in 1987, Congress enacted legislation to allow G&Ts to refinance up to \$2 billion of Federal Financing Bank (FFB) loans. I'm pleased to announce that on Feb. 22, 1988, WIPCO was able to refinance nearly \$282 million of high-interest FFB loans. This is but one of the steps WIPCO is pursuing to provide stable wholesale power assessments to its seven member-cooperatives now and in the future. While the road to a merger has seemed long and difficult, most of the bumps and detours have been overcome and it's expected that the combining of WIPCO and Soyland into one



A new dry fly ash collection system was installed during 1987. The new collector catches the dry fly ash, keeping it from going into the fly ash pond. When the Pearl plant is at full operation, about 11 tons of ash is created per day. This ash is taken to a landfill near Pittsfield. The new system is working very well, collecting about 60 percent of the fly ash produced at Pearl.

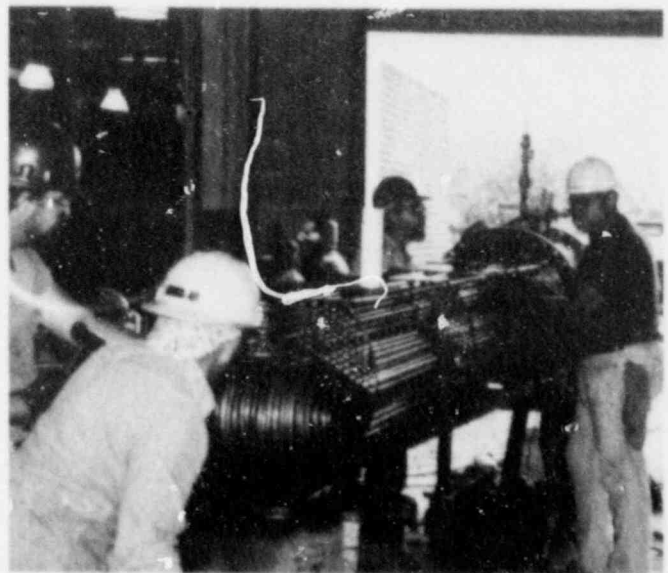


WIPCO purchased a new pole trailer during the year. The trailer, which links to a fifth wheel, will allow crews to haul 10-12 transmission poles per trip, compared to just three or four with WIPCO's old equipment.

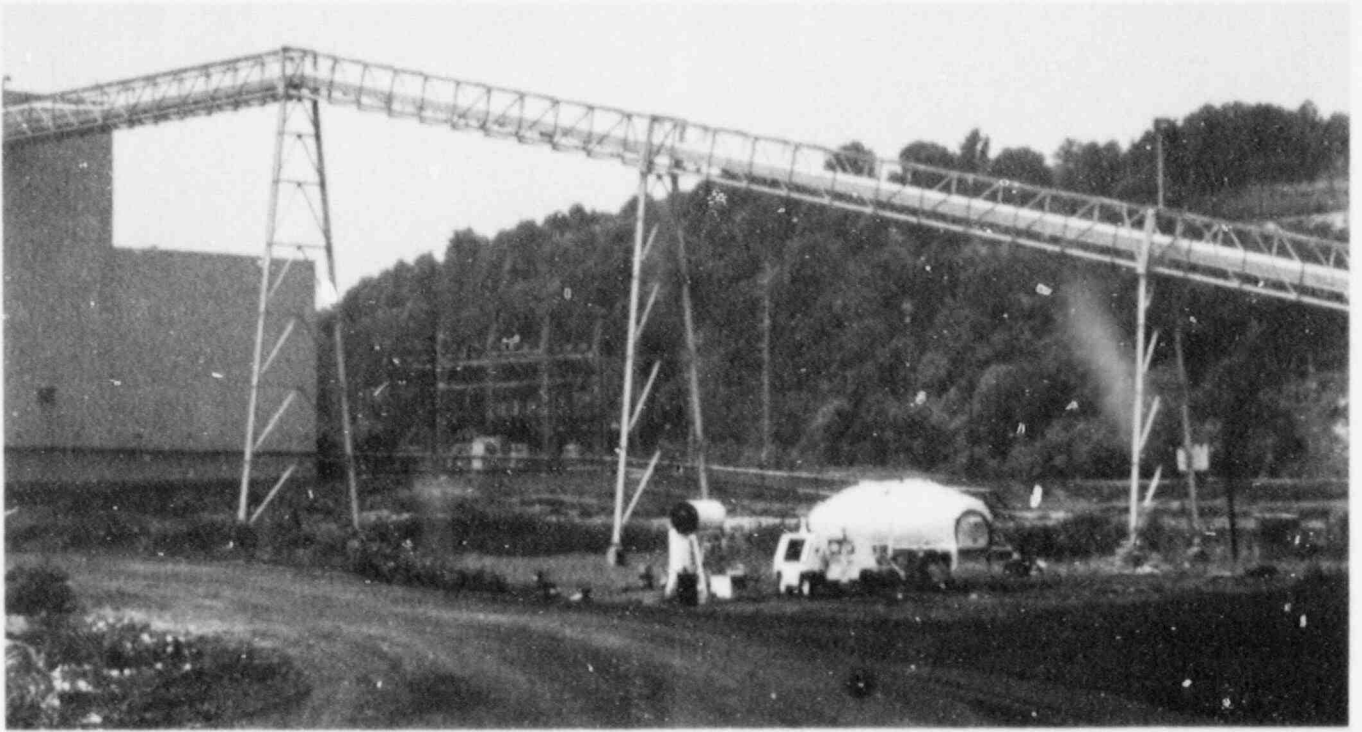
entity can be accomplished within the next six months. During 1987 we were able to accomplish needed maintenance on our generating facilities. In our quest to save money and hold costs to a minimum, we nearly defeated this time-honored objective. Roof maintenance at the Pearl and Pittsfield plants was delayed to the extent that required extensive replacement, including insulation. One of the long-range primary objectives of WIPCO directors has been to develop and establish stable assessments. This is being accomplished largely through long-range planning. The directors are to be complimented for pursuing and achieving this goal. Power cost studies developed in the early 1980s predicted a sharp upward adjustment in power costs when the Clinton Power Station came on line. To prevent this "shock" the power costs were adjusted to gradually absorb this increase. As a result, we have established reasonably stable assessments for our distribution members. A gradual incline to reach the summit is more acceptable than an abrupt climb — whether it be power costs or attempting to negotiate a mountain range.

On the brighter side of WIPCO's operations, where we might properly use the adjective "successful achievement," is the promotion of groundwater heat pumps. While 1987 power

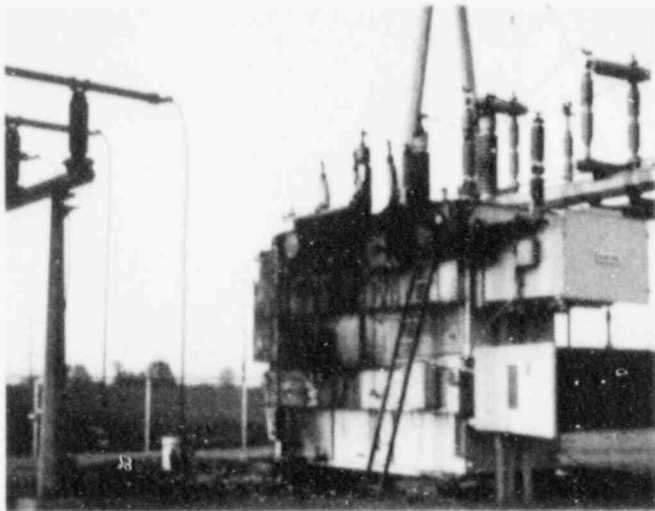
consumption did not show an increase over 1986 — the members' acceptance of heat pumps should show substantial increase in the years ahead. While sales of WaterFurnace heat pumps exceeded by three times the number predicted — this sales effort has only scratched the surface. With added personnel and a year's experience to help guide the future, our marketing efforts to build load will brighten



WIPCO crews and several contractors completed a major project at Pearl, retubing the Number 2 feedwater heater. The plant experienced some failures with tube leaks prior to the retubing.



The coal conveyor system at Pearl has been repainted.



The East Lanesville substation was damaged by fire on April 30, 1987 — after the transformer failed in the tertiary winding or bushing. A fire started after that failure and burned out of control for about 30 minutes before it was brought under control. The transformer, a 138/69 kv, 20 mva unit, is used for power interchange with Illinois Power Co.

WIPCO and Soyland's future. To those cooperatives who are actively pursuing this activity — congratulations. To the others, I recommend an intensive load building program to improve your economic health.

While our primary focus has been on achieving stable power costs, some attention has been given to both short-term and long-term planning that will enable WIPCO to render more reliable service to its members in the future. This planning comes about through suggestions from management, employees and members. A case in point is a possible tie to the Central Illinois Public Service Co. (CIPS) transmission line at WIPCC's Hadley substation. This tie would provide a second source of energy to five of WIPCO's substations. The object of our existence is to provide the best service possible at the least cost. This tie, as would others, would be compatible with our objectives.

As we investigate and achieve new financing methods, we'll also be looking for ways to make our plants last longer. New generation that is now at our disposal will enable us to reduce "full throttle" operation — thus extending the useful life of these plants. Greater emphasis will be given to marketing the product we produce. There is little economy in

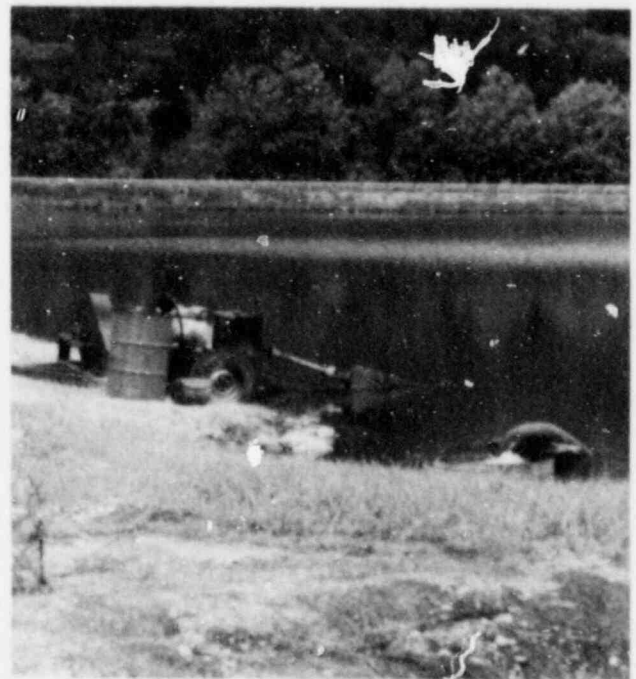


WIPCO crews had to move a pole on the East Hannibal transmission line to accommodate construction of the Central Illinois Expressway near East Hannibal.

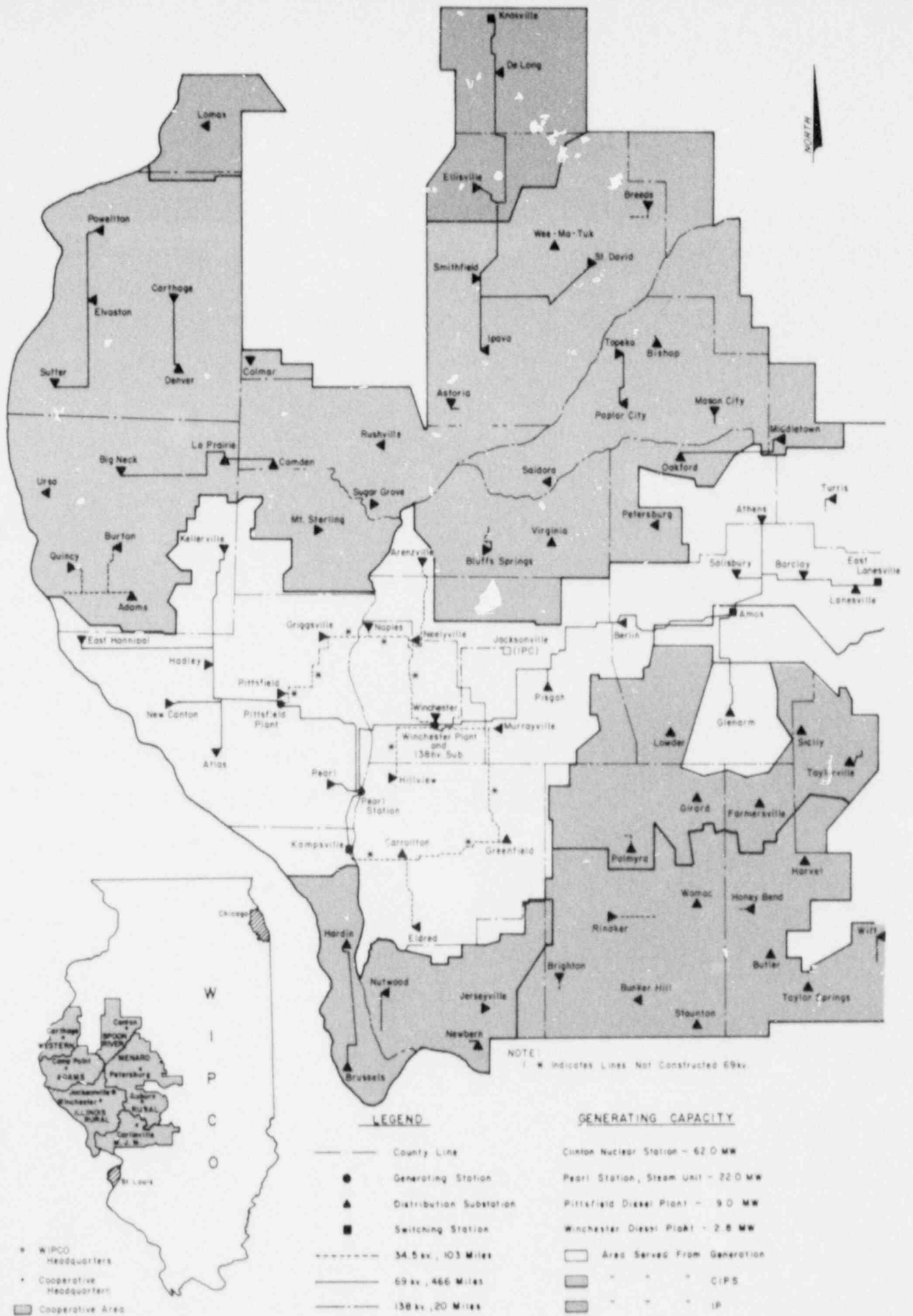
existing transmission lines, substations, generation and other associated equipment unless used near its potential capacity. We face a very challenging future — a period that requires the best efforts of directors, management, employees and members. Through my close association with WIPCO for many years I believe we are well equipped to meet those challenges that lie ahead.

Respectfully submitted,

Dean Searls
Interim Manager



Pearl's ash pond was pumped and excavated in 1987. Under normal operating procedures in the past, the pond has had to be excavated about every four years.



Western Illinois Power Cooperative, Inc.
P.O. Box 609 • Jacksonville, IL. 62651 • (217) 245-6161