

POWERING VALUE



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Built for Today. Ready for What's Next.

At Rappahannock Electric Cooperative (REC), we're owned by those we serve. That means every decision we make reflects the trust you place in us.

While the world continues to change, we remain focused on what matters most: reliability, affordability, growth and value through your membership.

Reliability: Electricity is something you depend on without thinking about it, until the moment you need it most. That's why we work hard to ensure reliable electric service is always there for you — because reliability doesn't happen by chance.

In 2025, we invested significantly to make REC's electric system strong and resilient for years to come. The work varied widely: completing 48 major grid improvement projects, inspecting more than 116,000 service points and assets, replacing 6,400 poles, removing 2,400 hazard trees and clearing 1,800 miles of right-of-way. The purpose was the same: being prepared when it matters most. The results spoke for themselves in early 2026, when REC members weathered two significant storms: a wintry one that created virtually no outages and another, a wind event, that tested the system more directly and drew a quick, capable response from Cooperative crews.

Affordability: We know cost matters — especially for families, those on fixed incomes and small businesses. This past year, many of you have had to make tough choices — stretching household budgets, adjusting to rising costs and navigating uncertainty in ways that don't always feel within your control. While increasing energy demand is the biggest factor driving up electricity costs, REC stayed disciplined in our operations and looked for smart, innovative solutions to save members money. We strengthened our stand that new, large-power members shouldn't shift unnecessary risk or cost onto existing members by filing for a special rate for large power, dedicated facilities members with the State Corporation Commission. Through our subsidiary Hyperscale Energy Services, REC shielded members from the costs incurred to serve large-scale energy users. Through the growing success of another affiliate, Brillit, REC secured world-class IT services at a reduced expense.

We also continued offering programs that create real value. Last year, a record number of members participated in the Summer Savings Plan, reducing energy use during high-cost "peak" hours. Together, they helped the Cooperative avoid \$335,287 in wholesale

power costs while each member earned a monthly bill credit. Amid rising prices, we remain focused on delivering reliable and affordable power.

Growth: Our region continues to grow, bringing opportunity, but also bringing new demands on the system we all share. As a regulated electric cooperative, REC has an obligation to serve. Just as important, we have a responsibility to ensure growth is managed fairly and sustainably for all members. In 2025, REC connected nearly 4,000 new member-owners across our 22-county service territory as we welcomed new homes, expanding businesses, major economic development opportunities and large-energy users. We also proudly supported the power needs of companies bringing hundreds of jobs and significant investments to our area, like the Kalahari Resort opening this year in Spotsylvania and the AstraZeneca pharmaceutical manufacturing plant coming to Albemarle County. Throughout 2025, the REC team continued work on design, procurement and construction of multiple dedicated substations to serve hyperscale data centers. REC is ensuring that "growth pays for growth," and we're supporting our communities' growth with reliable power.

Member Value: The cooperative difference is about more than delivering electricity, it's about providing value to the people who own this organization. In 2025, REC's Board approved returning \$8.1 million in capital credits to member-owners. We worked to make the value of membership visible and useful through programs and helpful tools like expanding Vividly Brighter energy services that improve quality of life and peace of mind. And we demonstrated the cooperative principle of concern for community, supporting 407 events and reinvesting more than \$376,000 in our region through corporate and employee giving. We understand member needs are evolving and we're committed to listening, improving and meeting you where you are.

As you read this report, we hope you see more than a list of numbers and projects. We hope you see a Cooperative focused on making thoughtful decisions in a time of rapid change by balancing today's realities with long-term responsibility. Most importantly, we hope you see our continued commitment to powering value for you.

Thank you for your trust, your engagement and your membership.



Christopher G. Shipe
Board Chairman

John D. Hewa
President & CEO

RELIABILITY

Cody was on-site and ensured that the personnel, responsible for the clearing operation, accomplished the task as agreed upon; all within the limits of what REC can allow to ensure power is reliably provided. Our outages are not bad at all, in my opinion. My wife, Angie, and I moved here over 15 years ago and an additional phase was added, around a decade ago, to enhance consistent electrical availability.



Bob St. John,
King William, Va.

AFFORDABILITY

I've seen a strong effort from REC to just help the members manage their energy costs, especially during these times. The focus is serving the members rather than generating profit, and it makes you feel like you're more in control of your energy expenses as a member, because the economy is changing and with REC, you do have an outlet and someone that can assist you.



Takisha Frye,
Caroline, Va.

GROWTH

The local communities embraced us. And even though some people don't like change, they've realized that we're just a family business. We build big resorts, but we're all about relationships. And that's one of the reasons that Rappahannock Electric Cooperative is so important to us. The partnerships that we form there and those relationships will last a long time.



Brian Shanle,
Resort General Manager,
Kalahari Resorts,
Spotsylvania, Va.

MEMBER VALUE

I can't even tell you how excited we are about being able to have this [grant from The Power of Change]. Our entire department is 100% volunteer. We do that just out of a sense of service for our county because these guys, that's what they love to do. We're there on somebody's worst day and we're able to make things a little bit better. And so that's what drives us.



Harold Richards,
President, Ruckersville
Volunteer Fire Company,
Greene, Va.



116,627

Service Points and Assets Inspected

Ensuring delivery of safe and reliable electricity to member homes and businesses.



\$3.8M

Lease Revenue

From providers bringing high speed internet and other services to our area.



1,204MW

Peak System Load

Highest total demand to date.



\$8.1M

Returned in Capital Credits

Paying back member equity in the Co-op.



8,100+

Animal Guards Installed

Reducing risk of wildlife-related outages – the second-leading cause of outages for REC.



\$335,287

Cost Avoidance

Through record member participation in Summer Savings Plan.



20,000MW

Load Ramp Connection

Requests by 2040

Driven by large-power users.



\$237K

Member Community Giving

Through The Power of Change.



64

Substations Connected Via Fiber

Speeding up restoration times.



\$223K

Grant Reimbursement

From DOE GRIP grants, offsetting cost to improve grid resilience.



\$345M

Paid by Large-Power Users

To protect all members from infrastructure costs.



\$376K+

Invested Back into Local Communities

Through REC corporate donations and sponsorships, employee giving, scholarships and Youth Tour.

2025 FINANCIALS

BALANCE SHEETS

(CONSOLIDATED)	2025 (IN THOUSANDS)	2024 (IN THOUSANDS)
Assets		
Total Utility Plant	\$1,619,909	\$1,532,650
Accumulated Provision for Depreciation	(616,776)	(584,671)
Net Utility Plant	1,003,134	947,979
Investments	181,160	164,962
Current Assets	657,473	235,889
Lease Receivable	30,983	18,816
Deferred Charges	5,028	7,426
Total Assets	\$1,877,778	\$1,375,072
Equity and Liabilities		
Total Equity	\$496,080	\$458,320
Long-Term Debt	675,485	622,929
Current Liabilities	678,631	277,710
Other Liabilities	27,582	16,113
Total Equities and Liabilities	\$1,877,778	\$1,375,072

STATEMENT OF OPERATIONS & PATRONAGE CAPITAL

(CONSOLIDATED)	2025 (IN THOUSANDS)	2024 (IN THOUSANDS)
Operating Revenue	\$574,615	\$521,602
Operating Expenses		
Cost of Power/Cost of Goods Sold	362,018	336,190
Transmission	882	561
Distribution - Operations	24,548	20,899
Distribution - Maintenance	47,132	37,838
Consumer Accounts	17,959	16,697
Consumer Service	2,973	3,114
Administrative and General	33,585	28,723
Total Operating Expenses	489,097	444,022
Other Expenses		
Depreciation	49,417	48,011
Interest on Long-Term Debt	24,088	21,314
Other	2,816	3,396
Total Other Expenses	76,321	72,721
Total Expenses	565,418	516,743
Operating Margins	9,197	4,859
Non-Operating Margins		
Patronage Capital Assigned	17,260	5,600
Interest Income	11,702	3,487
Other	3,897	3,051
Total Non-Operating Margins	32,859	12,138
Net Margins	\$42,056	\$16,997
Times Interest Earned Ratio	2.7	1.8
Debt Service Coverage Ratio	2.4	1.9
Patronage Capital - Beginning of Year	\$458,470	\$443,048
Net Margins	42,056	16,997
Net Retired Patronage Capital	(4,168)	(1,575)
Patronage Capital - End of Year	\$496,358	\$458,470

View REC's Enhanced Digital Annual Report.

