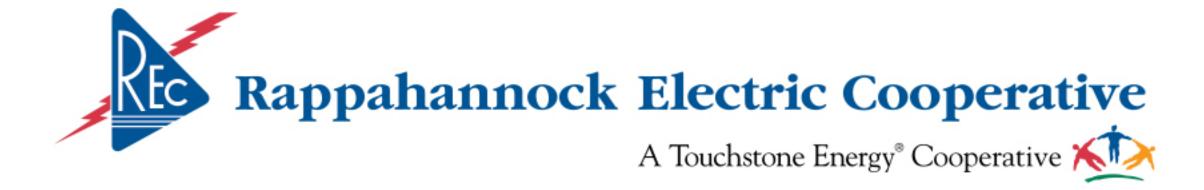
# 2019 Annual REPORT





### **MESSAGE TO OUR MEMBER-OWNERS:**

At the end of 2019, we would never have predicted the unique circumstances we would experience amid the COVID-19 global pandemic. As we have transitioned to practice safe, social distancing while delivering an essential service, we have come to value the many impressive accomplishments and rich experiences from 2019 even more.

We extend our heartfelt thoughts and concerns for everyone who has been impacted by COVID-19. As we write this at the beginning of May, there is a great deal of uncertainty in our world, and as your electric provider, we want to assure you that we are here for you. We're all in this together, and we will all get through this together. No matter what tomorrow looks like, we're dedicated to providing safe and reliable power, as well as outstanding service from caring people.

As a member-owned electric cooperative, REC has a deep appreciation for the communities it serves. Community members working together for a brighter future is what led to the establishment of electric cooperatives over 80 years ago. We take that legacy seriously, and we work daily to ensure you receive the power you need to stay connected whether at home or at work, attending school, or supporting local businesses. This is why our mission statement emphasizes just that – Connecting our members and communities with safe, reliable, affordable, and sustainable energy solutions.

Since we are now unable to connect with you in person, we are even more thankful for the more than 500 events many of our employees were able to enjoy with you last year. We surprised ourselves when we looked back over the year and discovered we had connected with you at 200 more events than we had the previous year. The fairs, street festivals, school presentations, safety demonstrations, tree plantings and our own member-owner appreciation events, just to name a few, provided us with memorable

conversations and demonstrated the importance of community. Right now, we look forward to one day soon being able to share those same experiences with you again.

Another record we set last year was our number of new connections. The REC team worked hard to connect over 3,300 meters in new homes and businesses throughout our service territory.

This past year we began construction of our fiber utility network project to support grid operations. Through this effort, we offered partnerships with local governments and other third parties interested in expanding the network to bring fiber to the home. We are exploring new opportunities to fill a larger role in solving broadband needs throughout the territory.

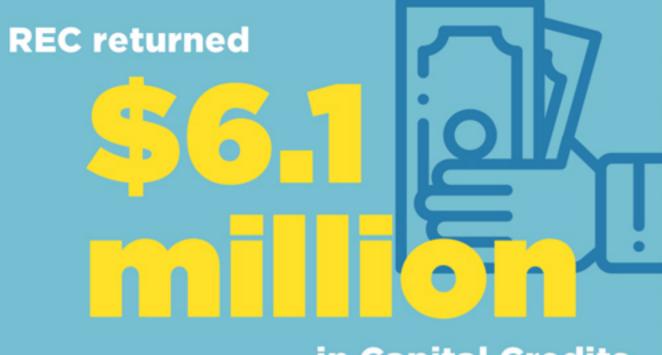
Over the years, REC has weathered some unprecedented challenges. The way we work through the COVID-19 crisis will be no different. These challenges won't stop us from accomplishing some extraordinary things such as those outlined in this report. Your Cooperative continues to be a stable, member-owned \$1 billion corporation serving over a fifth of the state's counties. We remain strong, resilient and well-positioned to continue to serve our member-owners and communities.

This report highlights some of REC's accomplishments in 2019 and serves as a reminder that even in uncertain, challenging times you can count on us to be there when you need us. It's why, together with you, We Are REC.



Christopher G. Shipe Board Chairman

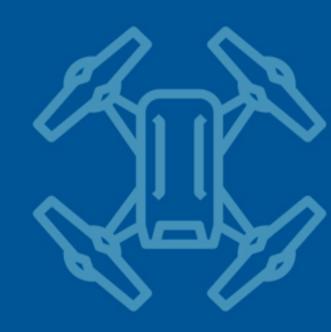
Kent D. Farmer President & CEO



in Capital Credits

Started expansion of the Louisa Service Center to improve response and prepare for future growth





Started using drones to assess power line damage after storms and trained 14 licensed drone pilots



**528** community events

Enhanced co-op transparency by expanding governance information on REC's website



# WEARE REC



Began 6-year project to install 820 miles of fiber optic cable, supporting grid operations and future community broadband infrastructure

855 member-owners
have connected
solar panels
totaling generation
capacity of
9,400 kilowatts



Using sustainable practices, maintained over 2,200 miles of vegetation to improve reliability while earning Tree Line USA certification

56,000 members on paperless billing saving over \$415,000 per year

Project Big Heart, an employee volunteer organization, donated \$65,779 to our communities



25,983

member-owners donated to The Power of Change

\$177,553

awarded to

32

organizations

Proactively replaced about

2 0 0 0 0 aging poles across the service territory

employees travelled to Bolivia to help connect electricity

to



villages that never before had power

# **2019 FINANCIALS**

### **Balance Sheets**

	<b>2019</b> (in thousands)			<b>2018</b> (in thousands)		
Assets	,,,,,			,,,,,	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
Total Utility Plant	\$	1,142,590		\$	1,095,878	
Accumulated Provision for Depreciation		(440,690)			(415,131)	
Net Utility Plant		701,900	1		680,747	
Investments		143,778			139,237	
Current Assets		71,180			102,647	
Deferred Charges		14,919			13,367	
Total Assets	\$	931,777		\$	935,998	
Equity and Liabilities						
Total Equity	\$	419,778		\$	406,204	
Long-Term Debt		432,430			443,717	
Current Liabilities		67,909			63,517	
Other Liabilities		11,660			22,560	
Total Equities and Liabilities	\$	931,777		\$	935,998	

# Statement of Operations & Patronage Capital

	(in t	<b>2019</b> (in thousands)		<b>2018</b> (in thousands)			
Operating Revenue Operating Expenses	\$	461,392	\$	446,656			
Cost of Power/Cost of Goods Sold		307,394		293,833			
Transmission		460		589			
Distribution – Operations		15,728		14,796			
Distribution – Maintenance		33,599		32,345			
Consumer Accounts		14,064		13,863			
Consumer Service		3,141		2,958			
Administrative and General	1	19,943		17,014			
Total Operating Expenses		394,329		375,398			
Other Expenses							
Depreciation		39,519		37,120			
Interest on Long-term Debt		17,895		17,638			
Other		836		1,173			
Total Other Expenses		58,250		55,931			
Total Expenses		452,579	_	431,329			
Operating Margins		8,813		15,327			
Non-operating Margins							
Patronage Capital Assigned		6,640		5,705			
Interest Income		1,772		1,171			
Other		1,298		(868)			
Total Non-Operating Margins	_	9,710	4	6,008			
Net Margins	\$	18,523	\$	21,335			
Time Interest Earned Ratio		2.0		2.2			
Debt Service Coverage Ratio		2.3		2.4			
Debt service coverage Ratio		2.5		2.4			
Patronage Capital - Beginning of Year	\$	406,629	\$	391,670			
Net Margins		18,523		21,335			
Net Retired Patronage Capital		(5,055)		(6,376)			
Patronage Capital - End of Year	\$	420,097	\$	406,629			





