2018 Annual REPORT















MESSAGE TO OUR MEMBER-OWNERS:



2018 was quite a year for REC! We value the opportunity to support your community in many ways beyond just providing safe, reliable and affordable power. As a member-owned Cooperative, all of you played an important role in making REC and our communities stronger. Along with the successes, there were many challenges last year that we had to overcome. Our area endured six major weather events that caused mass power outages throughout much of the service territory. We are proud of our crews who worked around the clock to restore power as quickly and safely as possible, and we are appreciative of your patience during those periods of storm recovery. From the handwritten thank you notes to the cookies for the crews, you showed that, together, "We are REC."

Each year we highlight our annual accomplishments. It is part of our effort to keep you informed about your Cooperative and to show what we are doing to connect our members with safe, reliable power. We ensure that our efforts mirror the goals and aspirations of the communities we serve. This is particularly true in our work on sustainability and affordability.



Our progress in these important areas is shown in the facts and figures on the pages that follow. We had a strong financial year and this allowed us to return \$7.5 million in Capital Credits back to you in the form of credits on your bills last year. But numbers and statistics don't tell the full story. Some of our most important successes this past year are not measured in dollars or kilowatts, but in lives changed.

 We're taking steps to help Virginia go green! Through our new Cooperative Sunshare program, you can now support solar without having to install panels at your home or business. Due to our partnership with Old Dominion Electric Cooperative, solar energy is produced by Virginia facilities in Clarke County and the Eastern Shore.

- We celebrated with 25 employees who entered retirement, and welcomed many new employees to ensure a continuation of excellent service. This included adding employees to prepare our deployment of a fiber utility network. As we bring new employees into the REC workforce, we are participating in the "Serve Our Co-op; Serve Our Country" program, helping veterans translate the skills they learned in the military into a job with REC.
- You showed no limit to your generosity by contributing a record amount to The Power of Change program, helping to positively impact the communities of our member-owners. Over 21,000 REC members have committed to the program which helped over 17 organizations support your communities in 2018.
- We launched a multi-year initiative to install an 800-mile fiber network to improve communications with our utility facilities. Space on the fiber will be made available to third parties to help bring broadband service to rural Virginia.

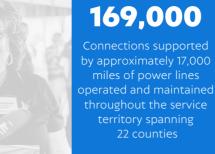


Each of these successes has many member-owner stories behind it. It is the result of working together to set a shared vision for our Cooperative and taking the steps necessary to carry out that vision. When that serves as the basis for what we do, good things happen.

2019 is off to a great start for REC and we will continue to share with you the milestones and successes that you and our employees play a part in. As always, we appreciate the support of our member-owners and welcome feedback from you on how we are doing. We look forward to continuing to serve you, and hope you will embrace the "We are REC" philosophy and be an active part of your cooperative.

Christopher G. Shipe Board Chairman Kent D. Farmer President & CEO

\$5.5 MILLION Money spent to repair storm-related damage, and restoring power to member-owners



327,764 Pounds of recycled material collected at REC facilities

4 BILLION

Kilowatt Hours delivered to homes and businesses

50,854

Member-owners nrolled in paperless billing, saving REC members more than \$378,000 in printing and mailing costs annually

62,618

Total member-owners enrolled in My REC SmartHub















93% Member service calls answered within 30 seconds



Cumulative number of member-owners we have helped connect solar panels or wind mills at home for power generation



\$90,000

Donated by member-owners to The Power of Change to support 17 organizations in their communities

\$50 MILLION

Money spent on improving the grid, including 180 miles of new or upgraded power lines, new substations, automation of systems, new equipment and other information technology

300

Community events in which REC participated

2,580

New service connections in 2018

7,390

Cumulative amount of LED outdoor lights installed system-wide, which use less energy and promote dark skies



2018 FINANCIALS

Balance Sheets

	2018 (in thousands)		2017 (in thousands)	
Assets				
Total Utility Plant	\$	1,095,878	\$	1,066,148
Accumulated Provision for Depreciation	_	(415,131)		(394,383)
Net Utility Plant		680,747		671,765
Investments		139,237		134,857
Current Assets		102,647		75,994
Deferred Charges		13,367		15,304
Total Assets	\$	935,998	\$	897,920
Equity and Liabilities				
Total Equity	\$	406,204	\$	391,688
Long-Term Debt		443,717		420,852
Current Liabilities		63,517		64,952
Other Liabilities		22,560		20,428
Total Equities and Liabilities	\$	935,998	\$	897,920

Statement of Operations & Patronage Capital

	2018 (in thousands)	2017 (in thousands)	
	(III thousands)	(III thousanus)	
Operating Revenue Operating Expenses	\$ 446,656	\$ 373,837	
Cost of Power/Cost of Goods Sold	293,833	243,983	
Transmission	589	786	
Distribution – Operations	14,796	16,224	
Distribution – Maintenance	32,345	24,574	
Consumer Accounts	13,863	13,611	
Consumer Service	2,958	3,044	
Administrative and General	17,014	16,666	
Total Operating Expenses	375,398	318,888	
Other Expenses			
Depreciation	37,120	30,704	
Interest on Long-term Debt	17,638	17,572	
Other	1,173	597	
Total Other Expenses	55,931	48,873	
Total Expenses	431,329	367,761	
Operating Margins	15,327	6,076	
Non-operating Margins			
Patronage Capital Assigned	5,705	10,000	
Interest Income	1,171	592	
Other	(868)	1,095	
Total Non-Operating Margins	6,008	11,687	
Net Margins	\$ 21,335	\$ 17,763	
Time Interest Earned Ratio	2.2	2.0	
Debt Service Coverage Ratio	2.4	2.1	
Patronage Capital - Beginning of Year	\$ 391,670	\$ 379,767	
Net Margins	21,335	17,763	
Net Retired Patronage Capital	(6,376)	(5,860)	
Patronage Capital - End of Year	\$ 406,629	\$ 391,670	

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