



Annual Review

2017

Serving homes and businesses across 22 Virginia counties with safe, reliable and affordable electric service is challenging. The terrain can be rugged, and the weather unpredictable. Excellent service requires continuous improvement. Whether updating technology to provide you with 24/7 convenience, adding automation for faster outage restoration and efficiency or preparing to offer renewable energy options, your interests are our priority. At REC, it's **Power On.**



members accessed MyREC SmartHub for fast, easy account management

2017 By The Numbers

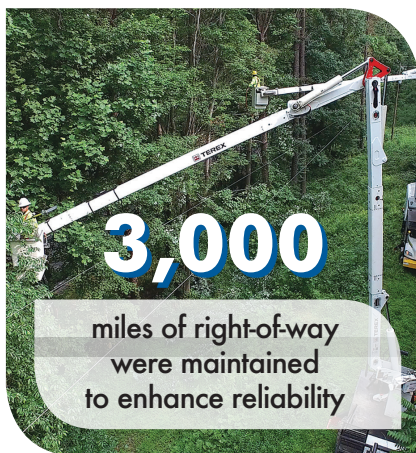
53,000

members enrolled to receive outage text alerts



17,000

members enrolled in **The Power of Change**



miles of right-of-way were maintained to enhance reliability



19,000

downloads of the new MyREC SmartHub mobile app

MESSAGE TO OUR MEMBERS

Power On. It's a statement of fact and an attitude that sums up REC's goal of delivering the best possible service to our members. Although the goal doesn't change, the tools and methods of achieving it sometimes must. That's why, after careful consideration and planning, we made several changes in 2017 in order to continue to provide this service to you well into the future.

For example, we converted our customer information system and changed our billing statement. Thank you for your patience during that process. Even though there were a few challenges, operating costs have been reduced, the new systems are working well, and members are pleased with the additional information now provided and online convenience. Today, more than a third of you are using the MyREC SmartHub app to access and manage your account information.

After 35 years in the same building, our central dispatch and operations center moved into a new, updated facility. Dispatchers now have all the tools necessary to manage a modern electric grid and are working 24 hours a day, 365 days a year to respond to members' needs. But new systems, updated facilities, and a modern grid don't work by themselves, so we began a formal employee development program to make sure our long-standing commitment to service is passed on to a new generation of employees.

A brighter tomorrow includes renewable energy options. That's why we have worked diligently with legislators and the solar community to increase opportunities for members to harvest the sun, or to

have a greater share of solar-generated electricity delivered to your homes.

After 25 years of absorbing the rising cost of equipment and labor, largely through improved efficiency and



165,000

total connections
receiving power from REC



Kent D. Farmer
President & CEO

Christopher G. Shipe
Board Chairman

system growth, REC sought State Corporation Commission (SCC) approval to increase the rates charged for delivering electricity.

The new rates, approved in January 2018 and effective on bills issued in March 2018, reflect an increase to REC's Access Charge, and for the first time ever, summer rates. The new rate structure ensures REC will recover the cost of building, upgrading, maintaining, and repairing the system of local substations, poles, wires, and meters that bring electricity into our members' homes and communities.

In 2017, REC enhanced our Smart Response Air Conditioner management service. In addition to a one-time \$25 bill credit after installation, members who participate will annually receive a \$6.00 credit in each of the four summer months. The additional credit recognizes and thanks those members who voluntarily help reduce everyone's power costs.

Another change you are seeing is the transition to this streamlined annual report. In this brief, cost-effective, and easy-to-read annual report newsletter, you'll find the highlights and important financial information from the past year.

As your not-for-profit electric cooperative, REC will continue to keep your interests at the center of every decision we make. Regardless of what changes may come, we'll safely deliver reliable power that allows all of us to **Power On.**

Kent D. Farmer *Christopher G. Shipe*

FINANCIAL STATEMENTS

BALANCE SHEETS

	2017 (IN THOUSANDS)	2016 (IN THOUSANDS)
Assets		
Utility Plant	\$ 671,765	\$ 657,207
Investments	134,857	129,851
Current Assets	75,994	88,446
Deferred Charges	15,304	16,253
Total Assets	<u>\$ 897,920</u>	<u>\$ 891,757</u>
Equity and Liabilities		
Total Equity	\$ 391,688	\$ 379,610
Long-Term Debt	420,849	434,249
Current Liabilities	65,105	61,277
Other Liabilities	20,278	16,621
Total Equities and Liabilities	<u>\$ 897,920</u>	<u>\$ 891,757</u>
Times Interest Earned Ratio	2.01	1.82
Debt Service Coverage Ratio	2.11	2.03



\$6.3 million
returned to REC members
in 2017 in the form of
Capital Credits

STATEMENT OF OPERATIONS & PATRONAGE CAPITAL

	2017 (IN THOUSANDS)	2016 (IN THOUSANDS)
Operating Revenue	\$ 373,837	\$ 418,165
Operating Expenses		
Cost of Power/Cost of Goods Sold	243,983	290,744
Transmission	786	877
Distribution - Operations	16,224	15,381
Distribution - Maintenance	24,574	23,460
Consumer Accounts	13,611	12,757
Consumer Service	3,044	2,920
Administrative and General	16,666	16,595
Total Operating Expenses	<u>318,888</u>	<u>362,734</u>
Other Expenses		
Depreciation	30,704	30,470
Interest on Long-term Debt	17,572	18,272
Other	597	1,065
Total Other Expenses	<u>48,873</u>	<u>49,807</u>
Total Expenses	<u>367,761</u>	<u>412,541</u>
Operating Margins	6,076	5,624
Non-operating Margins		
Patronage Capital Assigned	10,000	7,334
Interest Income	592	904
Other	1,095	1,113
Total Non-Operating Margins	<u>11,687</u>	<u>9,351</u>
Net Margins	17,763	14,975
Patronage Capital - Beginning of Year	379,549	367,854
Retired Patronage Capital	(6,528)	(3,280)
Patronage Capital - End of Year	<u>\$ 390,784</u>	<u>\$ 379,549</u>



Nearly
\$97 million
in Capital Credits
returned since 1980



99.95%
reliability rating during 2017 demonstrates REC's commitment to reliable power

New computer systems...



Provided a new, more **informative** bill

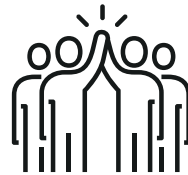


Gave members access to **SmartHub**, their personal online account portal



Eliminated **fees** for credit card payments

3,231,000
miles driven in 2017



395
REC employees



2,500
new services connected in 2017



852,000
hours worked by REC employees



17,093
miles of power lines



231 community events held throughout our service area last year engaged members